NAGMR holds 40th convention — page 8

Consumables a bedrock business — page 19

Pharmacists hit the picket lines — page 27

DRUG STORE NEWS®

Vol. 10/No. 22 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Nov. 7, 1988

High-volume drug chains rely on newspapers

(Chains that account for percentages of total industry volume stated below use listed ad media)

Newspapers	**93%**
T.V.	**54**
Radio	**52**
In-store fliers	**44**
Direct mail	**27**
Neighborhood news letter	**9**

Source: Nielsen Marketing Research, August 1988.

There's more to direct mail than mere numbers

See the first exclusive *Drug Store News* survey on direct mail and targeted marketing efforts, starting on **p. 19.** The above chart tells part of the story, but not how chains evaluate media for their advertising and promotion programs. For more answers, see inside.

Revco sells Odd Lot, to scan in 60 stores

By James Frederick

TWINSBURG, Ohio — Putting one of its biggest headaches behind it, Revco D.S. has reached an agreement to sell its Odd Lot Trading subsidiary to Riklis Family Corp. for approximately $37.1 million. Odd Lot has been a consistent drag on Revco's earnings, and unprofitable since its acquisition in 1984.

A contract to sell Elizabeth, N. J.-based Odd Lot was signed in mid-October, ending Revco's troubled association with the 103-store chain of closeout merchandise outlets. Officers of Revco and Odd Lot will seek U.S. Bankruptcy Court approval for the transaction Nov. 8, according to spokesperson Kathy Obert.

"Odd Lot has experienced substantial monthly negative cash flow and has lost money

See **Odd,** *page 29*

Riklis Family Corp. at a glance

Business: **holding company**
Headquarters: **New York City**
Chief executive: **Meshulam Riklis,** 64
Ownership: **private**
Holdings: **McCrory Stores** (a chain of 1,300 discount variety stores), **Samsonite, Elizabeth Arden, Fabergé, McGregor, Botany 500, Culligan, Martha White Foods**

As FoxMeyer restructures, two more top execs resign

By David Vaczek

DALLAS — Two more top officers have resigned at FoxMeyer Corp., where parent National Intergroup (NI) is restructuring to emphasize the drug business.

Robert Kutzendorf, vice chairman, and John Walz, executive vp-corporate affairs, resigned as of Nov. 1. Their duties are being assigned to others, NI spokesman Ed Klein told *Drug Store News.*

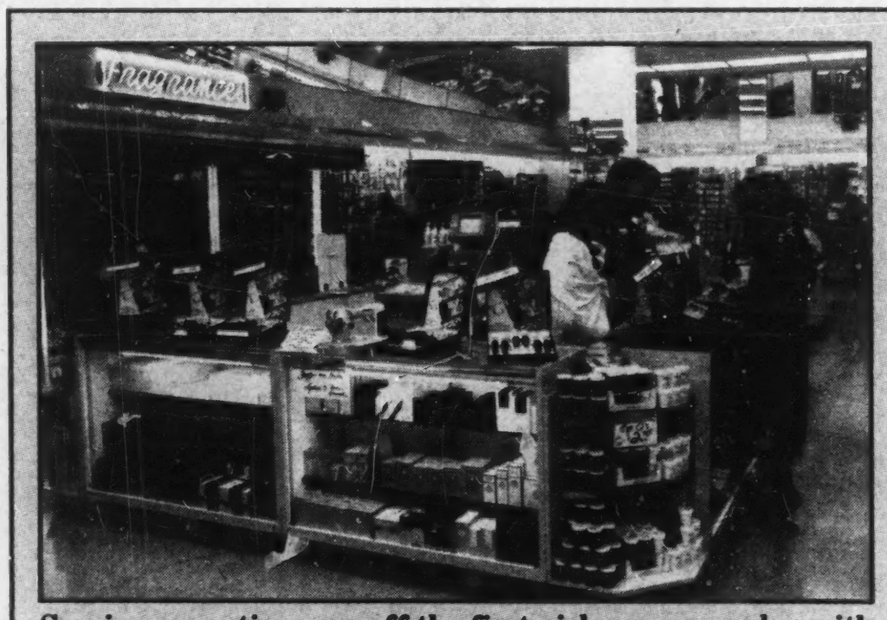
The officers' departures follow the August resignation of former chairman Bill Tauscher. Tauscher was replaced as chairman by NI officer Lawrence Farley, who is charged with boosting FoxMeyer's profits, and putting the money-losing Ben Franklin variety merchandise division on track.

Analysts expect NI's Farley to demand fast results from Ben Franklin so FoxMeyer can contribute to a needed earnings boost.

Kutzendorf and Walz had both reported to Farley, whom industry observers and analysts expect to demand fast results from Ben Franklin so FoxMeyer can contribute to a needed earnings boost at NI.

Meanwhile, NI said it ex-

See **Pair,** *page 29*



Service cosmetics area off the first aisle conveys value with name brands and free product offers.

Genovese bows new format:

GREAT AMERICAN DRUG STORES

. . . as deep discounting with a twist hits ritzy Long Island

By Al Heller

CARLE PLACE, N. Y. — Deep discounting with a twist has arrived in Long Island, home to some of the nation's richest zip codes.

Genovese Drug Stores' initial venture in this format, Great American Drug Store, bowed here Oct. 26 in a new strip center that faces the giant Roosevelt Field mall, and is wihin minutes of Rockbottom and Pathmark drug stores, both low-price operators.

Several differences set Great American apart: an upscale appearance with neon signs, wide aisles and considerable in-store service; a heavy reliance on pharmacy driven by extremely sharp prescription prices, and a mix that includes such items as Perugina chocolates, $69 telephones and a large professional hair care section in the first aisle, facing cosmetics.

Great American's image is meant to appeal to the 70,000 people who work within a half-mile of the store, as well as

See **Great American,** *page 29*

LATE NEWS

• NEW YORK — Leroy Pharmacies, a chain of nine drug stores in Manhattan and the Bronx, is seeking to raise $3.5 million in a public stock offering to add two new stores, expand home medical equipment operations and relocate warehouse and office facilities, according to a preliminary prospectus. Underwriter is Whale Securities.

• TWINSBURG, Ohio — Revco D.S. has launched a three-year project to install a state-of-the-art online pharmacy computer system chainwide, linking all pharmacies with one another and the corporate office. The system, called Prescription Access Link (PAL), will replace Revco's current standalone Rx computers.

• LOS ANGELES — Thrifty Corp. parent company Pacific Enterprises said it could not account for a recent plunge in its stock price, other than reaction to lower-than-expected quarterly earnings and reduced prospects in 1989 due to depressed oil prices. The firm predicted that cash flow would remain strong next year.

In Haight-Ashbury, Thrifty learns it's Art Deco or arson

By Pamela Krein

SAN FRANCISCO — Thrifty Drug Stores has decided against opening a store in the artsy Haight-Ashbury neighborhood here after facing fierce community opposition.

The chain recently saw its store under construction in San Francisco's Haight-Ashbury district go up in smoke at the hand of an arsonist. The fire caused an estimated $1.5 million in damage to the Thrifty site, and also destroyed 10 nearby structures valued at $1.9 million, according to the San Francisco Arson Task Force.

The reason? Although unproven, local speculation is that the store was torched because the community wants to retain its character. Most of the area's buildings are Victorian, Edwardian or Art Deco in design. The community gained notoriety and flavor in the sixties as a hippy hangout.

Richard Eils, Thrifty's president, cited "se-

See **Thrifty,** *page 29*

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NEWS IN BRIEF

Victor, Thrifty founder, dead at 80

SPRINGFIELD, Ill. — Benjamin Victor, the founder and former chairman of the Thrifty Drug Co. of Illinois, died at his home last month. He was 80.

He is survived by his wife, Devera, and son Joseph.

Victor, a pharmacist, founded the business with his first store here in 1935. He and two brothers, Morris and Lewis (both also deceased), built the chain to 17 drug stores. They also owned and operated 54 leased H&BA departments in the former Shoppers' Fair discount stores. The H&BA departments were phased out as Shoppers Fair closed stores when it filed for Chapter 11 bankruptcy in 1974.

Benjamin Victor's son Joseph, now a self-employed businessman in Springfield, started working at his father's chain full time in 1959, and eventually became president.

The Victors left the drug store business in 1982, when they sold 14 drug stores to SupeRx Corp., then a wholly-owned subsidiary of Kroger Co. Thirteen of those stores, all but three in Springfield, are now owned by Hook-SupeRx, Inc.

The stores were in the traditional mold, averaging 7,500 to 8,000 square feet, with a full-line front end. Many also had liquor departments.

Victor was on the board of directors of St. John's Hospital, Springfield, the advisory board of the Springfield College in Illinois, and on the national board of the American Jewish Committee.

Former Haag president Moxley dead at 75

PARIS, France — Sam B. Moxley, former president of the Haag Drug Company, Inc., Indianapolis, Ind., died here recently. He was 75.

Moxley owned Haag for 22 years until he sold it in 1972 to a Haag management group in one of the first leveraged buyouts. By then, it had 35 stores, said Bill Eagleson, who was vp-marketing at Haag, and became a top officer in the buyout company.

Eagleson, now executive vp at Peoples, and chief operations officer of its Bud's deep discount stores, recalled that Moxley wanted to sell Haag to retire from the business. He went on to found an investment brokerage house, Unified Management, in Indianapolis.

"He was always very active in philanthropy, and in the community, and was a wonderful person," said Eagleson.

From 1946 to 1950, Moxley was a part owner of Conquistador, S.A., a silver factory in Mexico City.

A Navy commander in World War II, and a member of Naval Intelligence in Chicago, Moxley was an honorary member of the NACDS board of directors, and served as an active member on the board from 1963 to 1972. He was a 1934 graduate of the Indianapolis College of Pharmacy.

He is survived by his wife Lucina Ball Moxley, one sister, two daughters, and four grandchildren.

Haag grew to be an 83-store chain, and Peoples Drug purchased it in 1980.

Warning labels seen for tobacco items

LOS ANGELES — Drug stores across the country will soon see cancer warning labels on 25 cigar and pipe tobacco manufacturers' products.

The warnings will appear in several months, and although designed to comply with a lawsuit settlement in California, will inevitably appear on manufacturers' products across the nation.

California's attorney general had sued the manufacturers, seven grocery retailers and Thrifty for not properly warning consumers when they were exposed to toxic substances.

The attorney general's office is currently negotiating settlements with the retailers named in the lawsuit. Since the suit was filed, two of the grocery retailers—Vons and Safeway—have pulled non-labeled tobacco products until the items contain warnings. Other retailers—including Thrifty—have instead opted for warning signs in the tobacco area.

The warning is required under a state proposition passed by voters in 1986 and the suit represents the first enforcement of the law.

Industry dodges bullets as Congress adjourns for year

WASHINGTON — The drug store industry dodged a series of costly legislative bullets as Congress adjourned for the year without raising the national minimum wage or passing a series of other bills backed by organized labor.

Among the measures left on the Congressional cutting floor as the House and Senate adjourned for the home stretch of the '88 election campaign: Controversial "parental leave" legislation that would have created personnel nightmares for drug store managers; a costly "mandated health benefits" bill requiring employer-paid health insurance for workers; and a cumbersome occupational disease notification plan that could have triggered new liability problems for drug retailers.

The past legislative session wasn't an unconditional victory for the drug store industry, however. Congress failed to act on Rep. Ron Wyden's (D-Ore.) proposal to restrict physician dispensing—a top legislative priority for the National Association of Retail Druggists—and did approve a controversial new "plant closing" law requiring drug chains and other employers with 100 or more workers to give employees at least 60 days advance notice of store closings, relocations or mass layoffs.

Additionally, legislation restricting employee polygraph testing by drug chains and other private sector businesses was enacted into law despite heavy industry lobbying. Significantly, though, Congress took much of the sting out of that law for drug stores by approving provisions to allow pre-employment lie detector testing of individuals seeking jobs with access to controlled substances, and to permit "incident-specific" polygraph exams of other employees suspected of theft.

The most noteworthy development for drug stores, however, was Congress' failure to enact a new minimum wage law.

The current $3.35 per hour national pay floor has remained unchanged for eight years, and with the Democrats back in control of both house of Congress it was widely assumed that some sort of increase in the minimum wage was certain to be enacted this year.

Another item on organized labor's legislative adgenda that failed to pass Congress this year—a proposal requiring employers to offer workers company-paid health insurance—would have created an even greater cost burden for the industry.

This "mandated health benefits" bill called for all businesses with 100 or more workers to provide a basic, Federally-approved package of health benefits to all employees working 17½ hours per week or more.

The cost of this plan to affected employers has been estimated at as little as $800 per worker annually, to as much as $3,000 a year per employee.

Still another union-backed bill that came up short in Congress this session is the Occupational Disease Notification Law. That bill would have created a new government panel to identify workers who may be exposed to hazardous chemicals on the job. In addition, the panel would notify workers of the risk they face, and hold employers financially responsible for the "medical monitoring" and treatment of these individuals.

Foundation sets moonlight fete

Gathered at a kickoff meeting for the Skin Cancer Foundation's Moonlight Celebration benefit are, from left, co-chairman Eli Cohen of Duane Reade, general chairman Howard Diener of Peoples and Foundation president Perry Robins, M.D. The dinner dance will be held Nov. 15 at the Waldorf. Entertainment will be provided by Dick Cavett, the evening's celebrity host, comedian Pat Cooper and Peter Duchin's Orchestra.

Sixty years of drug store retailing

Peoples opened its first drug store in 1905 in Washington D.C. on the corner of 7th and K Streets N.W. Lunch counters and soda fountains, where "the best of everything" was served, were found in every drug store. After patrons had a ham sandwich for 10 cents and an ice cream soda for 10 cents, they could weigh themselves at the penny scale located directly adjacent to the fountain.

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Vol. 10, No. 22 Nov. 7, 1988

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Database marketing sparks direct mail interest

Is it cost-effective to build a preferred customer list?

By David Vaczek

New interest in database marketing, or promoting from customer lists, has caused drug chains to rethink uses of direct mail.

Advertising directors confront a basic question: Is it cost-effective to build a roster of preferred customers to target with mailed ads? Will the spike in sales offset the cost of compiling and maintaining a list?

Similarly, does it pay to use the resources of a sales promotion agency which has demographic target-marketing capability? Third party companies such as Advo Systems are typically used for geographic targeting by zip code, or postal carrier route, to supplement newspaper coverage.

The unprecedented level of customer and sales information logged by pharmacy and front-end computers has steered ad directors to think in this direction. Many told *Drug Store News* they are excited about the prospect of such "rifle shot" marketing in the mass merchant sector.

"We're getting more and more into the possibility of reducing newspaper circulation, and spending more on target marketed mailings," says a Pay Less NW executive.

"You spend more going to less people; but hopefully you'll have a more effective return," he said.

Pay Less plans to compile a preferred customer list for 30 Seattle market stores in a test planned for the fourth quarter. To compile the list, the stores will run a contest in which people will fill out a form with their names and addresses.

"It's a customer who has shopped in our store, and who we know is interested in buying in our store," he said.

'We're getting more and more into the possibility of reducing newspaper circulation, and spending more on target marketed mailings.'

Up to now, Revco, for example, has confined demographic targeting to mailings to expectant mothers and new residents, using lists bought from outside sources. Sometime after the first quarter, 1989, the chain will launch mailings off a list compiled from its pharmacy computers. Possible chainwide mailings could reach 20 million people, says Bob Newmark, Revco's vp-marketing services.

"We hope to be able to use outside services to add demographic information to the database, run our list against theirs," says Newmark. "We will be more specific in reaching our customer."

Eckerd's planned joint promotion with direct mailer ActDirect next year could expand into target marketing by demographics. ActDirect will profile redeemers of a zip code-targeted first mailing to offer a refined target base for any future mailings.

At issue is whether drug chains need to know who their customers are, and whether it is cost-justified to build "lifetime value," by creating a special relationship with repeat customers. Drug chains know the products they sell are used universally; that is not the case at department stores and specialty retailers.

Large chains favor the "shotgun" distribution of newspapers, using direct mail most often to refine geographic coverage.

"You get a little better response per customer reached [from direct mail], but the cost is much too high if you're in a

See **Target,** *page 22*

Methodology of the study

Drug Store News sent the nation's 100 largest drug chains sales a questionnaire on how they use direct mail and other promotional methods.

Questions centered on the impact and efficiency of direct mail for delivering promotions, compared with delivery by newspaper. Chains were asked about their spending trends on promotions. They were asked about efforts to coordinate store promotions with vendors' coupon promotions through newspapers and direct mail.

Twenty-six chains—including five of the top seven—returned completed questionnaires. Respondents ranged in size from five stores to 2,000.

The participating chains represent 7,250 stores, or 33 percent of all chain drug stores.

When reading the charts, note that not all of the figures add up to 100 percent because respondents didn't always answer every question.

Direct mail usage gains ground

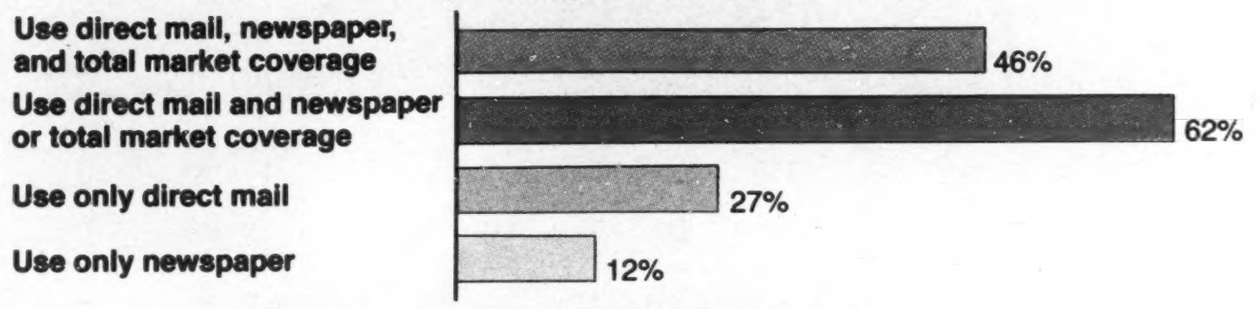
Direct mail is one of the fastest growing ad channels, a study by McCann-Erickson shows. Direct mail spending by U.S. advertisers was $19.1 billion in 1987, 11.5-percent higher than 1986.

The report shows 9 percent growth for newspaper advertising, to $29.4 billion in 1987.

Drug stores spent $420.8 million on newspaper advertising in 1987, 4.5 percent more than in 1986, according to the Newspaper Advertising Bureau.

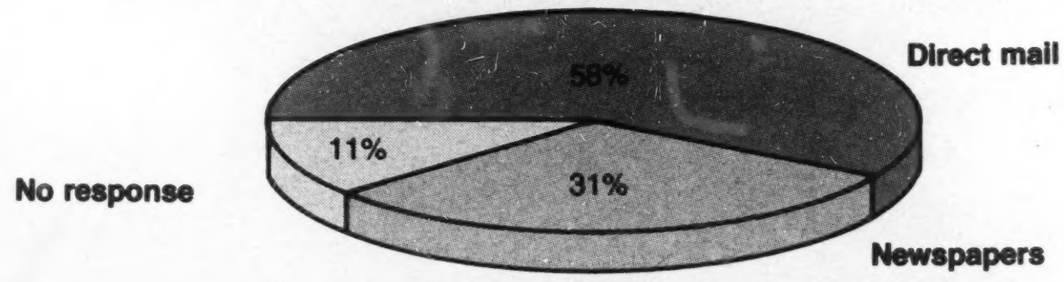
Chains favor multi-pronged attack for circular distribution*

(Percentage of respondents)



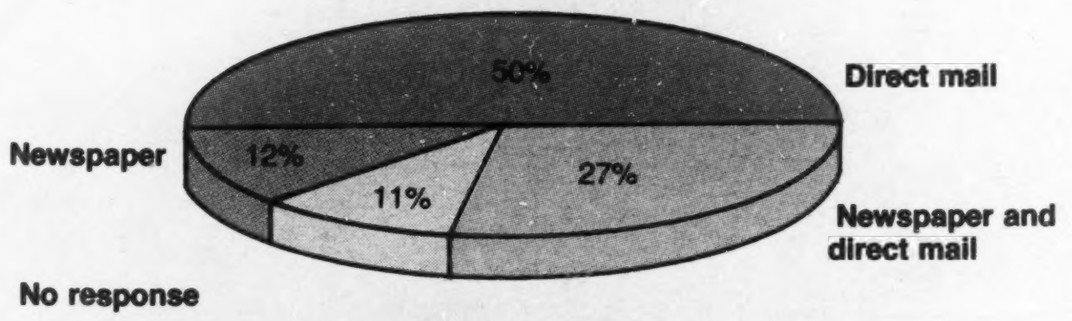
Direct mail elicits best response for circulars

(Percentage of respondents who said the method was the most effective)



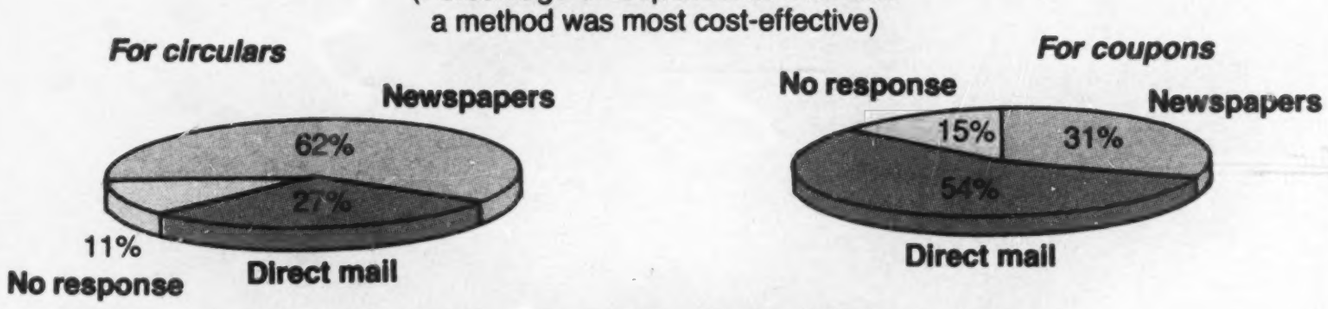
Direct mail most favored for coupon delivery

(Percentage of chain respondents)



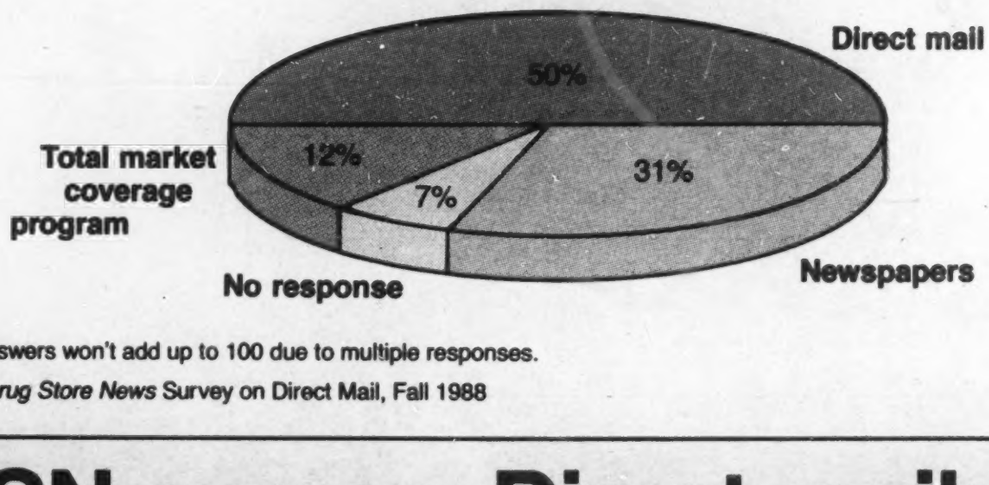
Newspapers provide most clout per dollar for circular delivery, but not for coupons

(Percentage of respondents who said a method was most cost-effective)



On which have you hiked spending the most in the past two years?

(Percentage of chain respondents)



*Some answers won't add up to 100 due to multiple responses.

Source: *Drug Store News* Survey on Direct Mail, Fall 1988

DrSN survey: Direct mail gives zip to drug chain promotions

NEW YORK — Direct mail is like a car's turbo-charger for most drug chains: It adds thrust.

But it won't often match the piston-power performance of newspaper-delivered promotions, *Drug Store News's* first survey on direct mail and promotions shows.

Newspapers provide the biggest bang for the buck for chains with the market dominance that makes buying a newspaper's circulation worthwhile.

Chains large and small, though, are souping up promotion delivery with direct mail. Mail is attracting more of chains' budgeted advertising dollars. Its ability to zone promotions geographically, and generate a high response rate, is a plus, the survey shows.

Newspapers' total market coverage (TMC) programs pay off. They've been competitive with direct mail companies such as Advo Systems, by reaching beyond their traditional audience of subscribers. Their delivery progams, using mail or carrier, offer the same deep market penetration, and the ability to flexibly target geographic zones. These nonsubscriber plans have helped newspapers retain most of chains' print advertising business, according to the survey.

Significantly, most of the 26 drug chain respondents reported using a combination of methods. That approach shows the willingness of chains to experiment, and also reflects a highly-competitive

See **Survey,** *page 22*

Vendors, retailers explore synergies offered by direct mail marketing

NEW YORK — Direct mail is providing an arena for retailers to team up with vendors in product marketing.

Vendors want closer ties to market at the store level; retailers gain sales and traffic without sacrificing profits, with "tie-in" promotions.

"We're much much more conscious of the relationship. We know it works, we tell them it works, and we're now at a point where our buyers are more conscious of it," says Joe Pollard, Peoples Drugs' vp-advertising and promotion.

Drug Store News's Direct Mail Survey documents the strong tide of industry support for tie-ins.

Sixty-nine percent of respondents said they've worked more closely with vendors' coupon advertising in the past two years. Within that group, 83 percent said complementary advertising was used.

Fifty-six percent of the group used in-store displays of vendor-promoted products.

"We've started to realize the powerful impact that retailers are having on the marketing of product," says Dick Thomas, national retail relations manager with Donnelley Marketing.

Donnelley hopes to introduce soon a retailer tie-in with its Carol Wright program. It would provide "a secondary level of support" for vendors' coupons by driving customers into a particular store.

ActDirect, a division of ActMedia, is already testing the partnership concept. It is launching a joint program with Eckerd, with a zip code-targeted mailing into 1 million Florida homes in January. Though H&BA coupons will be redeemable at any retail outlet, consumers will be steered to Eckerd stores, which will feature fliers and tie-in price reductions.

Product Movers, the freestanding insert company, is set to launch its first direct-mailed promotion, in partnership with a direct mail house and an unnamed drug chain, says Kevin Tinto, national sales manager, retail sales.

Target marketing key to direct mail's promo appeal

Continued from page 19

dominant market position," says Joe Pollard, Peoples Drugs' vp-advertising and promotion.

Newspapers are "where our efforts are, and where our customer has become accustomed to look for a sale ad," agrees Ken Banks, Eckerd's vp-marketing communications, who favors newspapers as a "non-intrusive" medium.

Despite such commitment to newspapers, chains are experimenting:

- Medicare-Glaser wasn't impressed when the *Suburban Journals of Greater St. Louis* claimed in a study this year that ads delivered by its member newspapers are read about twice as often as direct-mailed ads.

An executive at the chain likes the sales obtained during the past two years through Advo Systems. The direct-mailer sends 500,000 of the chain's eight-page tabs every Wednesday around 37 stores.

He stopped using 13 local papers for the job two years ago.

"We weren't getting the sales we were looking for in our markets," the source added.

- Customers have found Bartell Drug's ads in the *Seattle Times* for 80 years. That's one reason ad manager Gary Trahan uses the *Times*. He uses the the *Times*' "Slice of the *Times*" TMC program.

"We like our customers to get either an ROP ad or an insert [in the paper] all the time," says Trahan.

"We can run a lot more TMC ads for the same costs as direct mail," says Trahan.

- It is expensive—$80 per 1,000—but doorhangers pay off for SupeRx Corp.'s tabloid deliveries in some Phoenix neighborhoods. SuperRx will distribute 10,000 to 30,000 bags 25 to 30 times a year, supplementing newspaper-delivered inserts, said ad director Wes Sagness.

Survey: Direct mail gives promotions zip

Continued from page 19

marketplace which encourages ad directors to try new things, industry sources told *Drug Store News*.

Sixty-two percent of respondents said they combine newspaper and direct mail.

Among respondents, only chains of fewer than 60 stores use direct mail exclusively. Twenty-seven percent fit this category.

Direct mail scored best as a response provoker, but newspapers look better on a cost basis.

Fifty-eight percent said direct mail sparks the best response for circulars. Thirty-one percent—including three of the nation's five largest chains—gain the best response from newspapers. On the basis of response per dollar, 62 percent named newspapers as most effective for circulars.

Yet on coupon delivery, 54 percent said direct mail is best per dollar invested.

That's tied to coupons' high redemptions when direct-mailed. Fifty-percent said mail provokes the highest coupon redemption rates. Almost half of those reported redemptions in the 11 percent to 13 percent range.

Asked on what methods they've increased spending the most in the past two years, 50 percent named mail.

Forty-two percent said they've increased newspaper spending the most.

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TRENDS

Consumable groceries become bedrock business for chains

As the drug store industry looks for ways to build traffic and increase the frequency of customer business, owners and managers have come to rely increasingly on consumable groceries.

Independents and chains routinely promote groceries as traffic builders, and almost every drug store has permanent everyday departments for such core grocery categories as candies, chips, cookies, nuts and other snacks, paper goods, household cleaners, soft drinks and other beverages.

Fully two-thirds of the nation's chain drug stores also have permanent everyday departments for pet foods and accessories, while one-third carry packaged and canned dry groceries everyday.

Nearly half of all chain stores also merchandise alcoholic beverages every day, either beer and wine only or beer and wine plus hard liquor.

The everyday departments are designed to yield incremental sales to the stores that harbor them. Unlike promotional groceries, which are advertised and featured at low margins to build traffic and create a good value image for the store, everyday groceries are stocked at margins averaging between 18 percent and 30 percent. Some items, like single can soft drinks, certain candies and snacks, yield margins in excess of 40 percent. The margins sometimes reach as high as 60 percent on what buyers refer to as "blind items," which aren't price sensitive.

This year, *Drug Store News*' sister publication, *Food Merchandising For Non-Food Retailers*, is projecting that grocery sales, excluding candies and snacks, will exceed $6 billion in the drug store industry, an increase of 9.4 percent over 1987.

FM is also estimating that packaged and dry groceries, packaged alcohol, soaps and other household cleaners, and pet foods now account for approximately 11 percent of all drug store retail sales.

Executives like Howard Diener, vp-marketing at Peoples, Charles Reinhart, director of merchandising at Harco, Bob Lyons, vp-northeastern operations at Drug Emporium, Pete Agostino, senior buyer-convenience foods at Eckerd, Jim Plate, grocery buyer at Perry, and Dave Coleman, director of convenience foods at Hook/SupeRx, all describe groceries as "opportunities" for their chain stores.

They all agree that groceries are an effective traffic-building category, and most also say that groceries, handled properly, make money for a drug store operator.

Grocery sales trends in drug stores

(Retail sales in millions of dollars)

Grocery segment	1982	1985	1986	1987	1988*
Packaged groceries (excluding snacks and candies)	$1,244	$1,708	$1,859	$2,004	$2,157
Packaged alcohol	1,186	1,627	1,761	1,901	2,056
Paper goods	492	861	981	1,167	1,345
Soaps/household cleaners	254	335	362	390	419
Pet foods	32	53	59	66	73
Total sales	3,298	4,584	5,022	5,528	6,050

*Projections

Source: Malcolm Knapp, Inc.; *Food Merchandising for Non-Food Retailers*

How drug chains highlight groceries

Grocery Segment	% of print advertising budget spent on segment	% of space given segment on an everyday basis
Candy/gum	3.7%	6.7%
Paper products	5.2	7.0
Household cleaners	3.3	5.7
Chips/snacks	4.4	5.1
Non-alcoholic beverages	5.7	5.4
Pet foods & accessories	1.9	4.1
Packaged and canned dry groceries	1.5	7.2
Beer/wine/ other alcoholic beverages	7.6	11.6

Source: Lebhar-Friedman Research

Candies and snacks

Candies and snacks are considered the "strongest" grocery categories, because they are considered "traditional categories" for drug stores.

Although these categories can be considered "mature" in the sense that they have been around a long time, they are still dynamic. Earlier this year, *Drug Store News* reported findings of its merchandisers' survey that identified candy as one of the industry's fastest growing categories.

Most chain drug buyers say this category is currently up about 20 percent this year in dollar sales, and shows no signs of slowing down. Buyers say the same for such snacks as nuts, chips, crackers, cookies, cakes and popcorn.

Paper and cleaning products

Two other categories have also been established in drug stores for many years: paper products (i.e., facial and toilet tissues) and cleaning products (i.e., laundry detergents, all purpose cleaners and dishwashing liquids).

Although buyers say their growth is not as dramatic as candy and snacks, they are stable categories that work especially well as traffic builders.

Most drug chain executives say they promote several cleaners and paper items at least once or twice a week. In the everyday department, they yield modest margins of 19 percent and 18 percent respectively, but they turn well, and buyers say they make respectable contributions to the bottom line.

Non-alcoholic beverages

Non-alcoholic beverages, which include soft drinks as well as bottled waters, juices, thirst quenchers, and juice and water carbonated drinks, are also a strong growth area for drug stores.

About 70 percent of all drug chains now carry this category everyday, and many chains that already have the department are expanding it.

In addition to expanding facings to include some of the now trendy beverages like Gatorade, bottled waters and juice drinks, many chains are also putting in coolers to capture impulse sales and high margins of single serve beverages.

Eckerd, SupeRx, Revco, CVS and Peoples, to name a few, have coolers. Buyers say they are delivering both incremental sales and new traffic as shoppers buy impulsively to satisfy an immediate thirst or as they expand their trips to the stores in order to pick up a pop or a snack for immediate consumption.

"These are all sales we weren't getting before," said a source for Eckerd, "It gives us incremental sales at a very good margin, plus it gives shoppers another reason to come here, and while they're in the store, we have a chance to sell them other things."

Soft drinks

The strongest segment of the beverage category is still soft drinks. Most buyers say their soft drink sales are up about 15 percent to 20 percent over last year. Coke and Pepsi are the most popular brands, and nearly every chain in the nation features them at least once a month as a traffic builder.

Most chains try to take a very competitive margin on their soft drinks as part of their strategy to maintain a good "price value image " for their customers, but buyers also say that soft drinks turn so fast they generate above-average sales and profits.

Because soft drinks are distributed direct to individual stores rather than through warehouses, they are relatively inexpensive for retailers to handle. Soft drink bottlers, rather than store clerks, stock and replenish the category, and this yields what several buyers described as "hidden savings."

Beer, wine and liquor

Beer, wine and liquor is a fairly well established category in chain drug stores. About 47 percent of all chain drug stores carry this category everyday, and it typically yields 24 percent margins and about 7.3 turns a year.

Most chains use this department as a traffic builder. Chains like Walgreens, Perry and K&B often run at least a full page ad on this category in their circulars and they are as competitive in these ads as they can possibly be.

However, this is a category that demands considerable expertise and a lot of patience since state regulations about the sale of alcohol can be very frustrating to management. This is probably the slowest-growing grocery category in drug stores, and chains report mixed results with alcohol.

Sources for some chains like Walgreens say the category is doing very well for them, both as a traffic builder and as a profit generator. However, sources for some of the smaller regional chains describe the category as stable, mature and a consistent performer, but not a growth department.

This year, most buyers say alcohol sales have been relatively flat or stable since nothing new has emerged to really spark the category, and the once-dramatic growth in wine cooler sales has started to

Continued on page 26

How groceries perform in chain drug stores

Grocery Segment	Margins	Turns
Candy/gum	26.7%	17.0
Paper Products (facial & toilet tissues, paper towels and so on)	17.6	15.7
Household cleaners	19.2	9.1
Chips/snacks	25.1	16.6
Non-alcoholic beverages	20.9	15.7
Pet foods & accessories	25.1	6.4
Packaged/canned dry groceries	22.0	7.1
Beer/wine/other alcoholic beverages	24.0	7.3

Source: Lebhar-Friedman Research

How chain drug stores merchandise groceries

Grocery Segment	% of stores carrying these lines
Candy/gum	93%
Household cleaners	93
Paper products	90
Chips/snacks	83
Non-alcoholic beverages	70
Pet foods & accessories	67
Beer/wine/ other alcoholic beverages	47
Packaged and canned dry groceries	37

Source: Lebhar-Friedman Research

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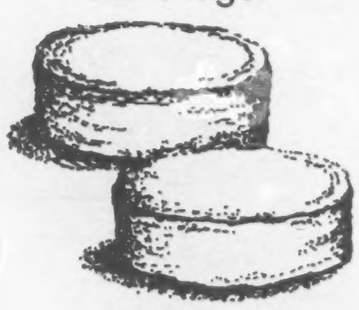

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TRENDS

Selected consumables introductions 1985-1988

	1985	1986	1987	1988 (est.)
Paper				
Facial tissue	9	12	9	5
Paper napkins	6	5	11	4
Paper towels	16	9	6	5
Toilet tissue	11	8	8	7
Total	42	34	34	21
Laundry				
Bleach/brighteners	8	3	8	12
Softeners/conditioners	11	8	13	11
Misc. laundry	17	3	9	2
General purpose detergents	19	33	25	21
Special purpose detergents	3	5	6	1
Total	58	52	61	47
Household cleaning				
General purpose	31	21	31	24
Special purpose	49	42	38	22
Floor care	2	5	3	2
Metal care	5	7	6	2
Toilet cleaners	10	6	14	10
Wood care	9	13	8	10
Total	106	94	100	70
Snacks				
Chips	82	95	92	102
Cookies	111	132	147	131
Crackers	41	54	41	58
Snack bars	17	37	22	22
Other snacks	98	110	125	108
Total	349	428	427	421
Soft drinks				
Mineral/bottled water	16	36	56	47
Misc. soft drinks	78	55	68	101
Total	94	91	124	148

Source: Marketing Intelligence Service

Consumable product trends are a study in stark contrasts

By Richard Lawrence

New products continue to flood drug store shelves at near record rates, a reflection of the fact that manufacturers' growth requirements can't be met by existing brands in today's mature markets.

But the pattern's not equal. It's actually a checkerboard of ups and downs that reveals consumers' changing priorities and where marketers see the opportunities.

For example, there are stark contrasts in new product trends since 1985 among some of the major categories of consumables. The number of new product introductions for paper products and household cleaners are down; laundry aids introductions are flat; snacks and soft drinks are up.

Fewer households than ever have full-time homemakers. Not only do people who work outside the home have less time for the household chores, many are not "house-proud" in the sense that their parents were. Added convenience and effectiveness have been principal forces behind new product development. Consumers find new products that do tasks that previously required two or more products.

Snacks and soft drinks have also been affected by changing lifestyles, but the result has been more, not fewer, new products. With more and more people eating on the go, the distinction between meals, light meals and snacks has blurred, and enlarged the opportunity for portable, single-serving finger foods which snack producers have rushed to market.

At the same time, concerns have grown about taking in too many empty calories, so new snacks and soft drinks have offered people less of what they think is bad, like sugar and caffeine, and more of what is good, such as fruit, fruit juice and fiber.

The detailed tables alongside show that individual product trends within the specified categories are in line with the averages. It's worth noting that if the actual numbers which are shown are adjusted to remove the effect of the steady increase in total new products over the five-year period, the contrasts are even greater. The decline in introductions of paper products and household cleaners is even sharper, laundry aids trend down rather than flat, and increases for snacks and soft drinks are steeper.

Richard Lawrence is president of Marketing Intelligence Service, Ltd., Naples, N. Y.

Consumables a bedrock business

Continued from page 25

level off.

Packaged groceries

The category with the most undeveloped opportunity for chain drug stores is packaged groceries, which run the gamut from baked beans, relishes and mustards, inevitably stocked and promoted during the spring and summer as traffic builders, to salad dressings, pickles, soups, canned meats and fish, canned and packaged convenience meals or side dishes, cereals, and other highly consumable items.

Most drug stores today promote some of these items as traffic builders. In addition, 37 percent of all chain drug stores stock an assortment of these products as "conveniences" for their customers.

Walgreens currently has 500 of what they describe as "mini-convenience food departments" similar to a 7-Eleven type of store, but merchandised by Walgreens as a core department within their drug stores.

Eckerd, SupeRx, Peoples, Perry, Harco and many other chains also have such departments but usually on a very selective market by market basis—for example, in areas where there is no competition from food stores or where the chain has a 24-hour store in a dense residential market or near a college campus.

Like household cleaners and paper products, it is considered a department that generates incremental sales while luring shoppers back into the store on a more frequent basis than could otherwise be expected.

Photo coverage of NWDA convention — Page 12

SAMI/Burke eyes top 100 products — Page 17

Chains score with private label H&BAs — Trends, page 36

DRUG STORE NEWS®

Vol. 10/No. 23 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Nov. 21, 1988

Med-Glaser agrees to SupeRx's $18M buyout

ST. LOUIS — Medicare-Glaser has definitively agreed to be bought for $18.2 million, or $6 a share, by an affiliate of SupeRx of Arizona, Georgia and Alabama Corp.

The merger will more than double the store count of Phoenix-based SupeRx, which operates 58 drug stores and four home health care centers in three states. SupeRx, a relative upstart, was born when president Gerry Wolken bought drug stores from Kroger after the food giant sold most of its Hook and SupeRx holdings to another buyout group.

Medicare-Glaser, a 55-year-old chain, operates 44 retail professional pharmacies in Missouri, Illinois and Connecticut, and 41 full-line drug stores in Missouri and Illinois. It also runs seven optical centers and a home health care center in its home state.

"SupeRx is interested in buying the pharmacies and drug stores, not the other operations," said a company source. "They consider the rest of it just boilerplate."

Thus, the agreement stipulates that Medicare-Glaser shed its interest "in certain corporate affiliates." Those affiliates include Express Scripts, a mail-order and prescription claims processing service the company operates jointly with Sanus Corp. Health Systems;

See **Med,** *page 83*

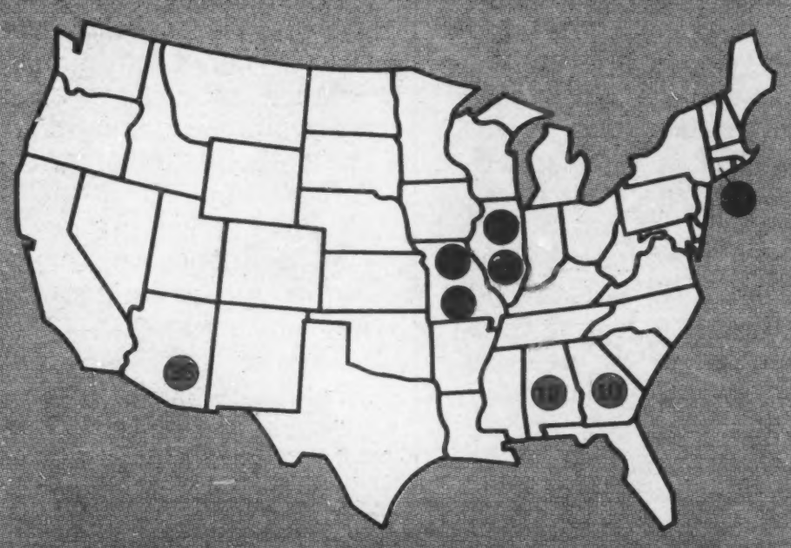
Medicare-Glaser. . . at a glance

- Store total: **44 pharmacies, 41 full-line drug stores, seven optical centers, one home health care center**
- Headquarters: **St. Louis**
- Top officers: **Harlan Steinbaum,** chairman and president; **Louis Glaser,** executive vp; **Stuart Bascomb,** executive vp-treasurer
- Operating area: **Missouri, Illinois, Connecticut**
- Net sales: **$107.3 million**
- Net earnings (loss): **($152,000)**
- Fiscal year end: **March 31, 1988**
- Prescription drug sales: **56 percent** of total sales
- Affiliated businesses: **Express Scripts** mail order/Rx claims processing; **Professional Drug Systems**

SupeRx extends reach with Medicare-Glaser purchase

(Number of stores in each state shown)

SupeRx ● Medicare-Glaser ●



SupeRx has 58 total drug stores—12 in Alabama, 10 in Georgia, 36 in Arizona—and four home health centers in Arizona (one freestanding, three in-store).

Medicare-Glaser operates 44 total professional pharmacies—27 in Missouri, 12 in Illinois, 5 in Connecticut—and 41 full-line drug stores, 39 in Missouri and 2 in Illinois. The company also has seven optical centers and one home health care center, all in Missouri.

Company reports

Ralphs seeks new tenants to replace Giants' Thrifty Jrs.

By Pamela Krein

LOS ANGELES — Ralphs Grocery Co. is seeking new tenants to replace five Thrifty Jr. drug stores that closed this summer in the food chain's Giant locations.

The grocery chain is considering enlarging the vacated 4,000-square-foot sites in order to bring in full-service drug stores, Jan Charles Gray, senior vp at Ralphs told *Drug Store News*.

Bill Henry, senior vp-real estate at Thrifty, said that Thrifty pulled out of the Giant sites in part because the small size impeded growth of the drug store mix much beyond health and beauty aids and over-the-counter products. Typically, Thrifty Jr. stores range from 3,000

See **Ralphs,** *page 83*

'Our competition has given up a lot of the general merchandise categories, and we see an opportunity here.' **—Bud Fantle**

Dart Drug fortunes hinge on its new Fantle's prototype

By James Frederick

LANDOVER, Md. — Struggling to regain its footing after a series of mounting losses, Dart Drug Stores is banking on a $22 million war chest to help it stage a badly needed turnaround. A big part of those turnaround efforts are wrapped up in the mid-November opening of Dart's first Fantle's drug and variety store prototypes.

Dart was set at press time to open its first two Fantle's units Nov. 17 in the Virginia towns of Manassas and Centreville, south and west of Washington, D.C.

Dart chairman and ceo Sheldon "Bud" Fantle called the new, 18,000-square-foot store a "very unique, pleasurable shopping experience," featuring a broader merchandise mix than that of Rite Aid, Peoples and other Dart competitors. Besides a strong drug and H&BA section, Fantle's stores will include major departments for home/office/computer supplies, Hallmark gift centers, appliances, photo, housewares, beer and wine, and gourmet food.

See **Dart,** *page 83*

REX lionizes industry greats

REX roared into the Grand Ballroom of the New York Hilton recently, when more than 300 guests gathered for *Drug Store News*' fourth annual banquet honoring the industry.

Lionized by their peers were Jack Eckerd Corp., Large Chain of the Year; Genovese Drug Stores, Small Chain of the Year; Alco Health Services, Wholesaler of the Year; Ron Peterson, executive vp, Eckerd, Merchandiser of the Year; and Max Factor No Color Mascara, Market Maker of the Year. Three companies—American Greetings, Du-Cair Pioessence and Eclipse Laboratories—were named Advertisers of the Year, and 27 suppliers received REX Market Maker awards.

A special section, starting on **page 19,** shows a pride of photos on the gala, which led to a significant donation to the New York City Chapter of the Multiple Sclerosis Society.

LATE NEWS

- NORTH HAVEN, Conn. — A partnership between Marc Glassman, Inc. and WBE, Inc. is preparing to launch XPECT Discount Drugs with a store here and another in Methuen, Mass. Leases have been signed for these initial sites. This effort joins forces of Marc Glassman, of Marc's deep discount fame, and Bill Edwards, former ceo of Revco.
- PAWTUCKET, R. I. — Gary Mercer has resigned as executive vp of operations and personnel at Brooks Drug. No replacement has yet been named, a company spokesperson said.
- AKRON, Ohio — U. S. Bankruptcy Court here has approved Revco's plan to sell its Odd Lot subsidiary to Rikis Corp. The transfer should occur within the next several weeks.
- INDIANAPOLIS — Bindley Western Industries reported sales for the third quarter ended Sept. 30 reached $300 million, up from $275 million in the comparable 1987 quarter. Earnings slid to $755,000 in the quarter, against 1987's $1.16 million. Nine-months sales were $914 million.

Rite Aid plays hardball with PCS pay level

By Barbara White

BALTIMORE — In a successful display of muscle, Rite Aid proved here that chains can sometimes force third-party administrators to reach reasonable terms.

Rite Aid refused to participate in the PCS prescription plan, after Prudential, the company for whose policyholders PCS was providing prescription services, tried to cut reimbursement rates. After two weeks of debate, PCS

See **Rite Aid,** *page 83*

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NEWS IN BRIEF

Revco reassures creditors at meeting

TWINSBURG, Ohio — Revco D.S. officials told about 150 creditors recently that it was braced for a strong Christmas selling season.

In Revco's first major meeting with creditors since its Chapter 11 filing July 28, executive vp-marketing Jim Adamson told the group of Revco bondholders and vendors that the chain's warehouses or stores had received about 85 percent of its Christmas merchandise. The other 15 percent is on its way, he added.

Adamson also said Revco has cleaned out all the slow-turning, high-ticket items—including televisions, microwaves and VCRs—that dogged sales last Christmas. Any additional inventory requirements can be handled with the company's cash and credit-line war chest of $50 million currently on hand, added chief financial officer Greg Raven.

Revco also continues to beef up its financial staff, most recently with the appointment of Leonard Ritchey as accounts payable director. Ritchey last served as payroll manager for BankOne in Columbus, Ohio.

The chain also plans to open 12 new stores before Christmas. Among them is its first unit in Ennis, Texas, and several new stores in North and South Carolina.

Is Dart Group an investment company?

WASHINGTON — The Dart Group is supplying information requested by the Securities and Exchange Commission (SEC), whose staff is looking into whether the corporation should register as an investment company, a classification that could curb the Hafts' takeover activities.

The Dart Group itself first reported, in a 10-K (yearly) filing with the SEC in January, the commission staff's interest in Dart's classification status, said Stanley Rubenstein, public relations consultant to Dart. In a subsequent quarterly filing this August, Dart said the SEC staff planned to recommend that the commission force Dart to register as an investment company. In October, Dart responded to a flurry of press inquiries into the matter by flatly stating, "Dart Group Corp. is not an investment company." The statement described Dart as a "diversified retail company" that "also operates Dart Group Financial, which purchases bankers acceptances."

Dart Drug chooses ad & PR agency

BETHESDA, Md. — Earle Palmer Brown Companies (EPB) will handle the $7.5 million Dart Drug account, beating out three competitors. The marketing communications firm will provide advertising, public relations and direct-response marketing support.

"EPB will be handling the launch of new Fantle's stores, as well as the conversion of the Dart Drug chain to Fantle's," said Mark Goldstein, EPB Washington president. In addition to opening new units, Fantle's plans to convert existing Dart Drug stores to Fantle's beginning in 1989.

"We were very impressed with the depth of the EPB team and its unique approach to solving the marketing challenges our company will face in the future," said Sheldon "Bud" Fantle, Fantle's chairman and ceo.

Lucky set to open 2nd Advantage store

SAN DIEGO — Lucky Stores will open its second Advantage store at the end of this month in a former Gemco site in San Diego County's National City.

The 65,000-square-foot concept is aimed at the time-conscious consumer and includes a pharmacy, OTC and H&BA products, general merchandise, and a full range of fresh produce, meats and fish.

The first location unveiled in the Clairemont suburb this past March, "has received broad customer acceptance," according to Lucky spokesperson Judy Decker.

Lucky expects to open its third Advantage store in the area's growing North County city of Escondido in March. Ironically, Lucky—which owned Gemco until it closed down the discount retailer in 1986 and sold the sites to Dayton Hudson—no longer holds any ties to the property. However, all three Advantage stores will be in a portion of former Gemco locations.

May's Drug tries its hand with a small deep discount format

TULSA, Okla.— May's Drug Stores recently opened its third Drug Warehouse in this market, for a total of five deep discounters the company operates. The other two are in Joplin, Mo.

At 8,900 square feet (about 7,600 selling), the newest unit, located in a strip center, is about half the size of the typical 18,000- to 20,000-square-foot Drug Warehouse. After searching extensively for a location in south Tulsa that would fit its size requirements, "we elected to refixture and remerchandise one of our May's Drug Stores in the heart of the market we wanted to reach," explained Gerald Heller, May's president.

Russell G. Smith II, a company spokesman, said the store picked for the makeover generated about $1.4million a year in sales as a regular May's drug store. "We've found it's important that the store already be a strong performer for May's," Smith added. Pharmacies in larger Drug Warehouses average between 250 and 300 scripts per day, and Smith said the newest deep discount unit could reach that level of performance.

The chain plans to open one or two more Drug Warehouses, probably in the smaller format, in this market next year.

As with other Drug Warehouse units, the latest one's key emphasis is on drugs, H&BA, cosmetics, greeting cards and household goods. Space being at a premium, plush items, seasonal goods, giftware, household chemicals and paper goods are cut back here.

Red and white ceiling-hung signs highlight percent discounts, such as 20 percent on pantyhose, 40 percent on greeting cards and 50 percent on sunglasses. The average ticket is about $14, Smith said.

Much of Drug Warehouse merchandise is bought on deal and shipped directly to stores. Advertising for the deep discounters is limited, with word-of-mouth the best generator of increased store traffic, Smith added.

May's drug store division includes 21 stores in the Tulsa market. Its distribution center is located in Joplin.

King joins DrSN board

NEW YORK — Robert L. King, president of FoxMeyer Drug Co., has joined *Drug Store News*' Board of Pharmacy Advisers.

In this position, he will help the editors of *Drug Store News* focus coverage on the most significant trends, issues and news in pharmacy.

FoxMeyer was formerly represented on the board by John Walz, who recently resigned from his position as executive vp-corporate affairs at FoxMeyer Corp.

King, 38, has served as a senior vp at FoxMeyer, with responsibilities in purchasing, merchandising, advertising and marketing. He also served as vp and general manager of FoxMeyer's Kansas distribution center.

A registered pharmacist, King has practiced in retail and hospital settings and was a clinical pharmacy instructor.

Sixty years of drug store retailing

This apothecary museum is located in the Redington Museum in Waterville, Maine. Reggie LaVerdiere, who joined the family business in 1939, donated memorabilia from all independent stores that were bought out by the chain. LaVerdiere also added some pieces of his private collection to the apothecary museum.

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Vol. 10, No. 23 Nov. 21, 1988

SPECIAL SAMI/BURKE REPORT

Top 100 items tally $992M in drug store sales

Product Tracking Alan Miller

When we look at the top ranking items of health and beauty aids products in both food and drug stores, a number of very interesting similarities and differences come to light. Here are some of the highlight observations we can make from this SAMI/Burke study which is based on the 52 weeks ending September 9, 1988 showing the top selling national items in the 55 HBA categories tracked by SAMI in 54 major markets.

- In each outlet, the fastest selling item is an internal analgesic—the same brand but a different item in the line. In food stores the lead item accounts for $37.6 million while in drug stores the best seller generates $21.5 million for the year.

In drug stores, 38 of the top 100 items are internal analgesics or cold remedies.

- The top 100 items in drug stores accounted for $992 million in sales, which is 12.4 percent of the volume among all categories measured by SAMI/Burke. Thus the sales of the "average" top 100 items is slightly over $9.9 million.

In food stores, because fewer items are in competition in these categories, particularly in the case of proprietary remedies, the total contribution by the top 100 items is nearly $1.15 billion and the average brand accounts for $14.5 million. The leading 100 items in food stores are responsible for 17.2 percent in all SAMI categories combined.

- In drug stores, 38 of the top 100 items are internal analgesics or cold remedies—23 for the former and 15 for the latter. In food stores, the same number of top 100 items are cold remedies as in drug stores—15 but there are 28 internal analgesic items in the best selling list. There are eight internal analgesics items in the top 10 ranking items in food stores.

Proprietary remedies play heavy role in drug stores

- In the top list of 100 drug stores items 84 are in the proprietary remedies product group. On the other hand, when it comes to the 100 item leaders in food stores nationally, only 58 are proprietary remedies.

The third ranking category in food stores in terms of number of items on the fastest seller is toothpaste and powder with 14. There is only one toothpaste on the drug store hit parade. Seven of the top 100 items in food stores are razor blades as compared with only two in drug stores.

The score in the eye care category is 12 at the top is drug stores but only two among food stores. There are six top selling mouth wash items in food stores against two in drug stores.

Obviously, these rank reports, which are generally prepared for the top 500 items in each product department, are valuable to manufacturers and retailers alike to make certain that the best sellers are accorded the prominence they deserve by dint of their sales performance.

It is also obvious from the highlights summarized above, and in the accompanying tables, that there are major differences in the top 100 (or 500) product mix between food and drug stores. I plan to show how the product mix of top selling items in drug stores varies between markets in a future column.

Top selling health and beauty aids items in national drug stores by product category

(52 weeks ended Sept. 9, 1988)

Category	Top 10 Items	Items 11-20	Items 21-30	Items 31-40	Items 41-50	Items 51-60	Items 61-70	Items 71-80	Items 81-90	Items 91-100	Total 23
Internal analgesics	4	4	3	2	2	2	2	2	1	1	15
Cold remedies	1	1	3	1	2	2	2	1	—	2	12
Antacids	2	—	—	1	—	3	2	3	1	—	12
Eye care products	2	—	—	2	2	—	2	1	1	2	12
Laxatives, stool softeners	—	—	—	2	2	—	1	1	2	—	8
Cough syrup	—	1	2	—	—	—	—	—	2	1	6
Nasal spray, drops, inhalers	—	1	—	—	—	1	—	1	1	—	4
Mouthwash	—	2	—	—	—	—	—	—	—	1	3
Synthetic vitamins	1	—	—	1	—	—	—	—	—	—	2
Facial preparations	—	1	—	—	1	—	—	—	—	—	2
First aid antiseptic	—	—	1	—	—	1	—	—	—	—	2
Razor blades	—	—	—	—	—	—	1	—	—	1	2
Denture cleaners	—	—	1	—	—	—	—	—	—	—	1
External analgesics	—	—	—	—	1	—	—	—	—	—	1
Stick deodorants and pads	—	—	—	—	—	—	—	—	1	—	1
Shampoo	—	—	—	—	—	—	—	—	1	—	1
Home diagnostic kit	—	—	—	—	—	—	—	—	—	1	1
First aid products	—	—	—	—	—	—	—	1	—	—	1
Toothpaste and powder	—	—	—	—	—	—	—	—	—	1	1
Denture adhesive	—	—	—	1	—	—	—	—	—	—	1
Natural vitamins, minerals, supplements	—	—	—	—	—	1	—	—	—	—	1
Total	10	10	10	10	10	10	10	10	10	10	100

Source: SAMI/Burke

Top selling health and beauty aids items in national food stores by product category

(52 weeks ended Sept. 9, 1988)

Category	Top 10 Items	Items 11-20	Items 21-30	Items 31-40	Items 41-50	Items 51-60	Items 61-70	Items 71-80	Items 81-90	Items 91-100	Total
Internal analgesics	8	3	3	3	2	1	3	3	1	1	28
Cold remedies	—	2	1	1	1	3	2	1	3	1	15
Toothpaste, powder	1	3	1	1	1	3	2	1	1	—	14
Antacids	—	1	1	2	2	—	—	1	—	1	8
Razor blades	—	—	1	—	1	—	1	—	3	1	7
Mouthwash	—	1	—	—	2	1	1	—	—	1	6
First aid antiseptic	1	—	1	1	—	—	—	1	—	—	4
First aid products	—	—	1	—	—	—	1	—	—	—	2
Eye care products	—	—	—	1	—	—	—	—	—	1	2
Denture adhesives	—	—	—	—	—	1	—	—	—	1	2
Denture cleaners	—	—	—	—	—	—	—	1	—	1	2
Laxatives, stool softeners	—	—	—	—	—	—	—	1	1	—	2
Shampoo	—	—	—	—	—	—	—	—	—	2	2
Nasal spray, drop, inhaler	—	—	1	—	—	—	—	—	—	—	1
Stick deodorants and pads	—	—	—	1	—	—	—	—	—	—	1
Facial preparations	—	—	—	—	1	—	—	—	—	—	1
Synthetic vitamins	—	—	—	—	—	1	—	—	—	—	1
Cough remedies	—	—	—	—	—	—	—	1	—	—	1
Hair spray	—	—	—	—	—	—	—	—	1	—	1
Total	10	10	10	10	10	10	10	10	10	10	100

Souce: SAMI/Burke

Retail dollar sales importance of top 100 items in drug stores

(52 weeks ended Sept. 9, 1988)

Item rank	Total dollar sales in millions	Cumulative total in millions
1-10	$173.4	$ 173.4
11-20	137.0	310.4
21-30	116.9	427.3
31-40	106.3	533.6
41-50	95.0	628.6
51-60	82.3	710.9
61-70	76.1	787.0
71-80	71.8	858.8
81-90	68.3	927.1
91-100	65.2	992.3

Retail dollar sales importance of top 100 items in food stores

(52 weeks ended Sept. 9, 1988)

Item rank	Total dollar sales in millions	Cumulative total in millions
1-10	$282.8	$ 282.8
11-20	189.9	472.7
21-30	163.5	636.2
31-40	141.9	778.1
41-50	133.0	911.1
51-60	123.5	1,034.6
61-70	115.9	1,150.5
71-80	106.9	1,257.4
81-90	99.3	1,356.7
91-100	95.7	1,452.4

Souce: SAMI/Burke

TRENDS

Private label sees gains in many H&BA categories; market share grows to 4.2%

Private label manufacturers are exploiting niche marketing opportunities, greater consumer acceptance of house brands and growing private label programs in the nation's drug and supermarket chains to carve away at the vast H&BA market. Their efforts are leading to market share gains for many private label H&BAs.

A recent study of private label market trends in the top 35 U.S. supermarket and combo store retailers and wholesalers shows an increase in market share for house brand H&BAs. The study, conducted by SAMI/Burke for the Private Label Manufacturers Association (PLMA), shows that market share of house brand H&BAs rose last year to 4.2 percent of all H&BA dollar sales in those outlets, from 4.1 percent in 1986.

The study shows continuing gains in 1988, with private label accounting for 4.3 percent of all H&BA dollar sales by the end of the first quarter. "H&BA [private label] sales have really gone up, even while some other areas of private label in the grocery store setting—like refrigerated foods and dry groceries—have gone down," said Mina Williams, a spokesperson for the PLMA.

"The private label dental and eye care markets are really going crazy, and areas of hair care like hot oil treatments and ethnic products are also enjoying good successes."

Eye care has become a target of opportunity for private label, according to Williams, with sales of house brand saline solution now claiming 13 percent of all category sales. "Some industry leaders expect that private label brands will dominate the (lens care) market by the end of the 1990s," Williams noted.

Private label cough/cold remedies have also been a gold mine for retailers, Williams said, with sales gains of 20 percent this year compared with overall cough/cold sales gains of 10 percent.

'The private label dental and eye care markets are really going crazy, and areas of hair care like hot oil treatments and ethnic products are also enjoying success.'

Private label vitamins are still gaining ground, too: they now account for one-third of all synthetic vitamin sales, according to the PLMA. House brand vitamins are particularly appealing to both drug and supermarket chains, because they carry a high-profile message about a chain's commitment to health and wellness, and to customer savings.

"The brands create the need, and we copy them," noted one chain drug vitamin buyer in New York earlier this year.

One standout chain drug performer in the category has been Pay 'n Save, which recharged its private label vitamin program this year with a vitamin sweepstakes co-sponsored by its new private label supplier, Pharmavite. The chainwide promotion—supported by in-store displays, signage and newspaper advertising—offered a Jeep Wrangler as grand prize, as well as prizes awarded at each of the chain's 109 stores.

"Of all the drawings we held in the last year and a half, this got the strongest response," said Pay 'n Save spokesperson Nancy House.

"Our market share in vitamins in this market is very strong to begin with, and our private label program is very strong, so we tacked on a little excitement to an already strong program," she told *Drug Store News*. "We use the promotions to get attention, but the private label product has to stand on its own in terms of quality and packaging to begin with."

Product quality, new packaging and product segmentation are dominant themes at the PLMA's "Store Brands Bandwagon" trade show in Chicago Nov. 13 through 16. Private label manufacturers at the O'Hare Expo Center have reserved a record 650 booths to display new products and packaging to the estimated 3,000 attendees. Among the new items:

- Incontinent products keyed to the graying of America, including shields, undergarments, ultra briefs, underpads and carry bags;
- Nail-treatment products, including manicure implements;
- A line of cosmetics specially formulated for girls five and older, packaged with press-on fingernails in pre-painted designs in non-toxic, washable colors;
- A host of new private label hair care products, including hot-oil treatments, deep conditioners and a full line of ethnic products;
- More sun and skin care lines, including sunscreens ranging from SPF 2 to SPF 30, as well as a children's PABA-free sunscreen with an SPF of 40;
- More moisturizing oils and bath products with scents that complement perfumes or colognes. Among them are bath oils that mimic designer fragrances.
- More convenient and more tamper-evident packaging across a wide spectrum of product lines.
- New OTCs, including tablet and natural-fiber laxatives, personal cleansing pads for irritations and pain-relief gels for weekend athletes.

Most private label H&BAs gain in dollar share*

Product	Private label dollar share	
	1986	1987
Synthetic vitamins	31.15%	31.78%
External analgesics	27.25	28.84
Baby oils/creams/lotions	18.92	18.88
First aid products	16.97	17.26
Baby powders	12.68	13.80
First aid antiseptics	11.27	11.27
Razor blades	5.29	5.25
Internal analgesics	4.68	5.6
Toothbrushes	4.43	4.84
Mouthwash	4.35	4.22
Laxatives/stool softeners	3.84	4.19
Hand & body cream/lotions	3.65	3.30
Hair shampoo	3.34	3.00
Cold remedies	3.05	3.42
Cough remedies	2.49	3.48
Hair conditioning rinses	2.12	1.86
Suntan lotion/oil	1.99	1.96
Cosmetic/medicated skin aids	1.58	1.46
Hair spray	1.54	1.20
Denture cleaners	1.38	1.84
Shaving cream	1.24	1.13
Appetite suppressants	1.26	0.97
Roll-on deodorants	1.05	1.06
Facial preparations	0.93	1.01
Toothpaste and powder	0.74	0.74
All health and beauty aids	4.10%	4.20%

*In 35 top U.S. supermarket chains

Source: SAMI/Burke special study sponsored by Private Label Manufacturers Association

Focus: Private label advertising

NOTE

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1989 Pharmacist's Reference to Patient Counseling

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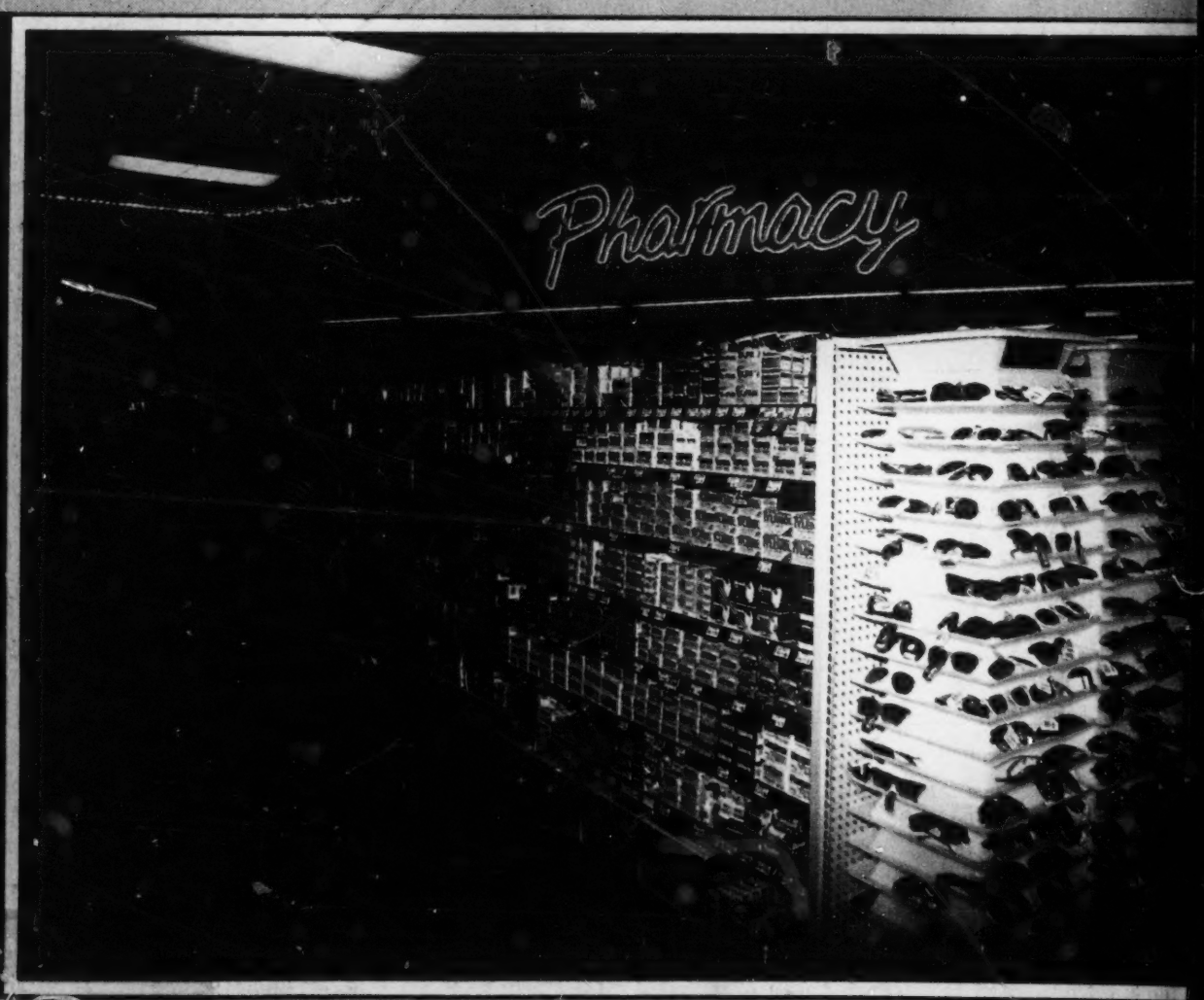

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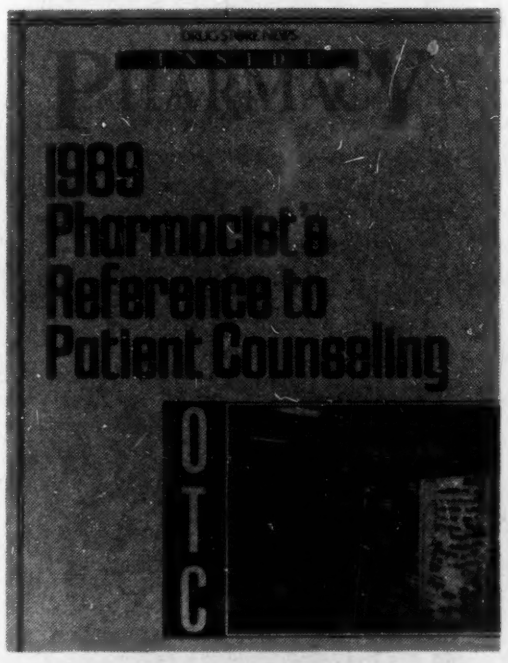

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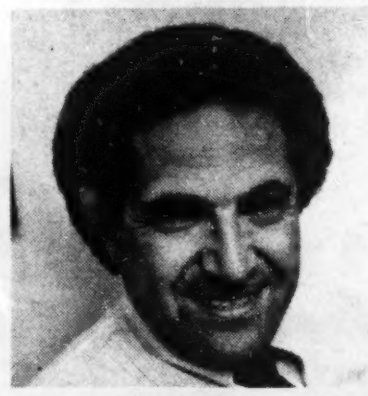
Editor's Welcome



By Harold Cohen, R.Ph.

It's no secret that today's consumer is taking a special interest in their health matters. Statistics show that more consumers than ever before are relying on OTC medication to treat their minor medical ailments.

But today's consumer is also faced with the reality that drug stores are providing the widest selection of over-the-counter medications available to them than ever before. Many consumers, bewildered by the the breadth of product lines available in today's drug stores, have found it difficult to pick the proper OTC medication to treat their medical problems. Therefore more consumers are relying on the pharmacist to provide the proper consulting on OTC medications.

To that end, drug stores are also making it easier for the consumer to reach the pharmacist, replanograming OTC product sections closer to the prescription department. Pharmacists in turn are eager to consul patients on the proper usage of OTC medications. But we realize that pharmacists are busy individuals who may not have all the answers immediately available. That's where our *1989 Pharmacist's Reference for OTC Patient Counseling* will play a vital role.

This handy reference contains general information on all the major over-the-counter product categories, as well as specific information on the best-selling products within those categories. All a pharmacist need do is turn to the patient counseling section to answer just about any question asked about a particular product category. But the reference's usefulness doesn't stop there.

A clinical section gives the pharmacist easy-to-read charts of some of the most important information about OTC medications. Information like drugs that contain aspirin, drugs that contain sodium, sugar-free preparations,the difference in testing kits, and some common drug interactions, just to mention a few.

A special diabetes counseling section will refresh the pharmacist's knowledge of the various insulins available as well as a listing of syringes, needles and glucose testing equipment.

I have tried to make this year's OTC reference as complete as possible. But I would like to hear from you. Suggestions are always welcomed. Let's me know what you would like to see in the reference that may have been overlooked. Also, I'd be interested in knowing what sections you found most valuable.

Consumers are demanding more information about these sophisticated OTC drug products and pharmacists must be prepared to answer their questions quickly and accurately. There is no doubt about it: pharmacists must play an integral part in current self-treatment phenomenon sweeping the nation. We believe that the *Pharmacist's Reference for OTC Patient Counseling* can help them play that part.

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Top 100 OTC Products Based on Number of Units

Rank	Product Name	Rank	Product Name
1	Fleet enema 4.5 oz.	51	Anacin 12s
2	Advil tablets 24s	52	Vicks Vapo-rub 3 oz.
3	Tylenol extra strength caplets 50s	53	Anacin 30s
4	Tylenol extra strength tablets 30s	54	Centrum vitamins 130s
5	B & L sensitive solution 12 oz.	55	Tylenol drop 15 ml
6	Mylanta liquid 12 oz.	56	Correctol 30s
7	Pepto-Bismol liquid antacid 8 oz.	57	Fleet mineral oil enema 4.5 oz.
8	Visine .5 oz.	58	Excederin extra strength tablets 30s
9	Benadryl capsules 25 mg. 24s	59	Contac caplets 10s
10	AoSept disinfect solution 8 oz.	60	Bayer aspirin 50s
11	Robitussin DM cough syrup 4 oz.	61	Advil caplets 50s
12	Alka Seltzer Plus 20s	62	Robitussin DM 8 oz.
13	Tylenol chewable tablets 30s	63	Pepto-Bismol liquid antacid 4 oz.
14	Neosporin ointment .5 oz.	64	Robitussin PE 4 oz.
15	Tylenol extra strength tablets 60s	65	AoDisc replacement 1 oz.
16	Tylenol extra strength caplets 24s	66	Sudafed tablets 30 mg. 48s
17	Sudafed 30 mg. tablets 24s	67	Actifed tablets 12s
18	Tylenol extra strength caplets 100s	68	Dimetapp extentabs 24s
19	Mylanta II liquid 12 oz.	69	Nuprin tablets 24s
20	Trojan Enz lub 3s	70	Bufferin 100s
21	Vaseline Lip Therapy	71	Chloraseptic spray cherry 6 oz.
22	Afrin nasal spray .5 oz.	72	Maalox Plus extra strength susp. 12 oz.
23	Dimetapp elixir 4 oz.	73	Allergan Lens Plus saline solution 8 oz.
24	Anacin 100s	74	Tums assorted 3-roll 36s
25	Benadryl elixir 4 oz.	75	Benadryl 25 allergy kapseals 24s
26	Trojan Enz lub 12s	76	Nyquil cherry 6 oz.
27	Rolaids tablets regular 3-roll	77	Advil tablets 8s
28	Bayer aspirin 100s	78	Rolaids tablets spearmint 3-roll
29	Halls mentholyptus stick 9s	79	Pliagel cleaning solution .85 oz.
30	B & L saline solution 12 oz.	80	Contac 12 hour capsules 10s
31	Advil caplets 24s	81	Dristan advanced formula cold tabs 24s
32	Anacin 50s	82	Bayer aspirin 1¼-gr children's 36s
33	Benadryl regular tablets 24s	83	Tums E-X 3 roii 24s
34	Drixoral 10s	84	Benadryl 25 allergy med tablets 24s
35	Maalox liquid 12 oz.	85	Tylenol drops 15 ml
36	Alka Seltzer Plus 12s	86	Johnson & Johnson Band-Aid sheer 60s
37	Advil tablets 100s	87	Afrin nasal spray 15 ml
38	Preparation H ointment 1 oz.	88	Neosporin cream 15 g
39	Unisol saline solution (2) 8 oz.	89	Correctol laxative tablets 15s
40	Tylenol extra strength tablets 100s	90	Ex-Lax unflavored pills 8s
41	Advil tablets 50s	91	Coricidin D 24 oz.
42	Pliagel lens solution	92	Trojan regular 12s
43	Nyquil 6 oz.	93	Neosporin ointment 1 oz.
44	Vicks Formula 44-D 4 oz.	94	Sudafed S.A. 12 hr capsules 10s
45	Actifed tablets 24s	95	Halls mentholyptus drops 30 ct.
46	Rolaids 12s	96	Bacitracin ointment 1 oz.
47	Comtrex cold relief tablets 24s	97	Dexatrim caff free caplets 20s
48	Tums 3s	98	Tylenol regular strength caplets 24s
49	Robitussin CF 4 oz.	99	Drixoral tablets 20s
50	Dimetapp extentabs 12s	100	Ascriptin 100s

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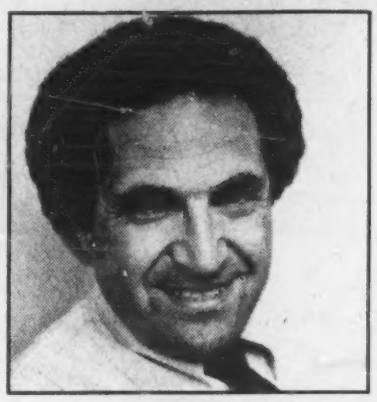
Editor's Welcome



By Harold Cohen, R.Ph.

It's hard to believe that a year has gone by since we last published the *Drug Store News/Inside Pharmacy Annual Reference for Pharmacy Practice.*

The fact that it was so well received in the marketplace naturally pleases us greatly. Not only does the staff of *Drug Store News/Inside Pharmacy* feel good about putting out such an excellent product, but the overwhelming positive responses from our readership tell us that the publication was well read and used extensively. . . and that is personally gratifying.

The heavy usage that the reference receives proves that pharmacists are doing more than the traditional "pouring, licking and sticking," a definition of the profession pharmacists have been sadly saddled with for the past several years. Our research shows that pharmacists are getting out from behind the prescription counter to consul patients on their prescription and over-the-counter medications, and the heavy usage the reference receives confirms that research.

As good as the reference was last year, we believe it is even better this year. We listened to you, our readers. We've added new clinical sections to better prepare phamacists to answer consumers' questions on their prescriptions, and updated our business sections to help store owners run their prescription departments more efficiently. Under the able direction of John Aforismo of R.J. Health Systems and Pharmex, the Connecticut company known to thousands of pharmacists for their reference labels and materials, our prescription drug reference section is one of the most complete in the industry.

And we've made the publication easier to use as well. Four-color throughout, pharmacists can easily find the material for which they are looking without eye strain.

We feel so strong that this publication is the pharmacists' best reference to patient counseling that we even renamed it. There is no doubt about it, the *1989 Pharmacist's Reference for Rx Patient Counseling* is our best reference product ever. But like any reference book, it is only value lies in its usage. I encourage pharmacists to keep the reference on the pharmacy workbench, within handy reach, because their is no substitute for good professional practice in today's prescription department.

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Top 100 Prescription Drugs

Rank	Prescriptions Dispensed	Dollar Volume	Units Dispensed
1	Dyazide caps	Zantac tabs 150 mg	Dyazide caps
2	Zantac tabs 150 mg	Dyazide caps	Amoxil susp 250 mg/5 ml
3	Tylenol w/ cod #3 tabs	Tagamet tabs 300 mg	Dilantin kaps 100 mg
4	Lanoxin tabs 0.125 mg	Procardia caps 10 mg	Procardia caps 10 mg
5	Tenormin tabs 50 mg	Feldene caps 20 mg	Tagamet tabs 300 mg
6	Lanoxin tabs 0.25 mg	Tenormin tabs 50 mg	Lanoxin tabs 0.25 mg
7	Darvocet-N 100 mg	Questran powder packets	Slow-K tabs 600 mg
8	Tagamet tabs 300 mg	Cardizem tabs 60 mg	Lanoxin tabs 0.125 mg
9	Seldane tab 60 mg	Amoxil susp 250 mg/5 ml	Amoxil susp 125 mg/5 ml
10	Dilantin kaps 100 mg	Capoten tab 25 mg	Zantac tabs 150 mg
11	Procardia caps 10 mg	Xanax tabs 0.5 mg	Tenormin tabs 50 mg
12	Xanax tabs 0.5 mg	Clinoril tabs 200 mg	Cardizem tabs 60 mg
13	Lasix tabs 40 mg	Seldane tab 60 mg	Capoten tabs 25 mg
14	Slow-K tabs 600 mg	Ceclor pul 250 mg	Cardizem tabs 30 mg
15	Amoxil susp 250 mg/5 m	Naprosyn tabs 500 mg	Xanax tabs 0.5 mg
16	Feldene caps 20 mg	Darvocet-N 100 mg	Darvocet-N 100 mg
17	Maxzide tab	Tagamet tabs 400 mg	Lasix tabs 40 mg
18	Xanax tabs 0.25 mg	Vasotec tabs 5 mg	Peridex oral rinse
19	Valium tabs 5 mg	Lopressor tabs 50 mg	Lopressor tabs 50 mg
20	Capoten tab 25 mg	Cardizem tabs 30 mg	Premarin tabs 0.625 mg
21	Lopressor tabs 50 mg	Carafate tabs 1 gm	Theo-dur SA tabs 00 mg
22	Premarin tabs 0.625 mg	Naprosyn tabs 375 mg	Pediazole susp
23	Amoxil caps 250 mg	Amoxil susp 125 mg/5 ml	Questran powder pks
24	Ortho-Novum 7/7/7 28	Maxzide tab	Tylenol w/ cod #3 tabs
25	Naprosyn tabs 375 mg	Flexeril tabs 10 mg	Valium tabs 5 mg
26	Halcion tabs 0.25 mg	Valium tabs 5 mg	Nitrostat tabs 0.4 mg
27	Proventil inhaler	Dilantin kaps 100 mg	Xanax tabs 0.25 mg
28	Cardizem tabs 60 mg	Keflex pul 500 mg	Seldane tab 60 mg
29	Ceclor pul 250 mg	Premarin tabs 0.625 mg	Ceclor susp 250 mg/5 ml
30	Ventolin inhaler	Xanax tabs 0.25 mg	Aldomet tabs 250 mg
31	Theo-dur SA tabs 300 mg	Micronase tabs 5 mg	Alupent syrup
32	Cardizem tabs 30 mg	Lopressor tabs 100 mg	Micronase tabs 5 mg
33	Flexeril tabs 10 mg	Capoten tabs 50 mg	K-Tabs 10 mEq
34	Eryc caps 250 mg	Timoptic 0.5% ophth	Inderal tabs 20 mg
35	Monistat-7 crm w/ app	Zantac tabs 300 mg	Tussi-organidin liquid
36	Amoxil susp 125 mg/5 ml	Keflex pul 250 mg	Micro-K caps 8 mEq
37	Vasotec tabs 5 mg	Ortho-Novum 7/7/7 28	Theo-dur SA tabs 200 mg
38	Ortho-Novum 1/35 28	Transderm-nitro 5 mg/24 hr	Micro-K caps 10 mEq
39	Keflex pul 250 mg	Vasotec tabs 10 mg	Carafate tabs 1 gm
40	Micronase tabs 5 mg	Aldomet tabs 250 mg	Synthroid tabs 0.1 mg
41	Motrin tab 800 mg	Lanoxin tabs 0.125 mg	Tussi-Organidin-dm d
42	Naprosyn tabs 500 mg	Ativan tabs 1 mg	Inderal tabs 10 mg
43	Vicodin tabs	Proventil inh	Ceclor susp 125 mg/5 ml
44	Synthroid tabs 0.1 mg	Xanax tabs 1 mg	Tegretol tabs 200 mg
45	Moduretic 5/50 tabs	Trental tabs 400 mg	Maxzide tabs
46	Timoptic 0.5% ophth	Nolvadex tabs 10 mg	Nicorette gum 2 mg
47	Clinoril tabs 200 mg	Ventolin inhaler	Phenergan w/ cod syrup
48	E.E.S. tabs 400 mg	Theo-dur SA tabs 300 mg	Naprosyn tabs 375 mg
49	Motrin tabs 600 mg	Tegretol tabs 200 mg	Inderal tabs 40 mg
50	Aldomet tabs 250 mg	Premarin tabs 1.25 mg	Trental tab 400 mg

Top 100 Prescription Drugs

Rank	Prescriptions Dispensed	Dollar Volume	Units Dispensed
51	Nitrostat tabs 0.4 mg	Dolobid tabs 500 mg	Minipress caps 1 mg
52	Amoxil caps 500 mg	Transderm-Nitro 10 mg/24 hr	Premarin tabs 1.25 mg
53	Theo-Dur SA 200 mg	Lopid caps 300 mg	Septra susp
54	Micro-K caps 10 mEq	Tolectin-DS tabs 400 mg	Motrin tabs 600 mg
55	Carafate tabs 1 gm	Moduretic 5/50 tabs	Monistat-7 crm w/ app
56	K-Tabs 10 mEq	Slow-K tabs 600 mg	Lopressor tabs 100 mg
57	Premarin tabs 1.25 mg	Nalfon tabs 600 mg	Feldene caps 20 mg
58	Tagamet tabs 400 mg	Inderal tabs 40 mg	Dilantin-125 susp
59	Ativan tabs 1 mg	Ceclor susp 250 mg/5 ml	Lopid caps 300 mg
60	Micro-K caps 8 mEq	Tranxene T-tabs 7.5 mg	Motrin tabs 800 mg
61	Provera tabs 10 mg	Duricef caps 500 mg	Clinoril tabs 200 mg
62	Entex-LA tabs	Halcion tabs 0.25 mg	Vasotec tabs 5 mg
63	Triphasil-28	Ortho-Novum 1/35 28	Moduretic 5/50 tabs
64	Halcion tabs 0.5 mg	Calan-SR tabs 240 mg	Klotrix tabs 10 mEq
65	E-mycin tabs 333 mg	Nicorette gum 2 mg	Ativan tabs 1 mg
66	Lo/Ovral-21	Minipress caps 2 mg	Halcion tabs 0.25 mg
67	Lopressor tabs 100 mg	Motrin tab 800 mg	Diabeta tabs 5 mg
68	Lasix tabs 20 mg	Minipress caps 1 mg	Ortho-Novum 7/7/7 28
69	Lo/Ovral-28	Inderal tabs 20 mg	Motrin tabs 400 mg
70	Corgard tabs 40 mg	Naprosyn tabs 250 mg	Naprosyn tabs 500 mg
71	Inderal tabs 20 mg	Lo/Ovral-21	Persantine tabs 50 mg
72	Trental tabs 400 mg	Procardia caps 20 mg	Diabinese tabs 250 mg
73	Minipress caps 1 mg	Pepcid tabs 40 mg	Minipress caps 2 mg
74	Duricef caps 500 mg	Motrin tabs 600 mg	Calan tabs 80 mg
75	Lotrisone cream	Inderal LA cap 80 mg	Tagamet tabs 400 mg
76	Motrin tabs 400 mg	Clinoril tabs 150 mg	Amoxil caps 250 mg
77	Anaprox tabs 275 mg	Lasix tabs 40 mg	E.E.S.200 mg/5 ml
78	Tavist-d tabs	Tenormin tabs 100 mg	Phenergan vc w/ cod
79	Percocet tabs	Indocin SR 75 mg tabs	Corgard tabs 40 mg
80	Keflex pul 500 mg	Diabinese tabs 250 mg	Thyroid tabs 60 mg
81	Inderal tabs 40 mg	Corgard tabs 40 mg	Synthroid tabs 0.15 mg
82	Inderal tabs 10 mg	Triphasil-28	Flexeril tabs 10 mg
83	Vasotec tabs 10 mg	Valium tabs 10 mg	Reglan tabs 10 mg
84	Ortho-Novum 1/35 21	Tylenol w/ cod #3 tabs	Lasix tabs 20 mg
85	Diabinese tabs 250 mg	Lotrisone cream	Coumadin tabs 5 mg
86	Coumadin tabs 5 mg	Diabeta tabs 5 mg	Xanax tabs 1 mg
87	Transderm-nitro 5 mg/24 hr	Zovirax caps 200 mg	Glucotrol tabs 5 mg
88	Tranxene T-tabs 7.5 mg	Tagamet tabs 800 mg	Naldecon ped syrup
89	Fiorinal w/ cod #3 caps	Sinemet 25/100 tabs	Bactrim ped susp
90	Nicorette gum 2 mg	Anaprox tabs 275 mg	Capoten tabs 50 mg
91	PCE tabs 333 mg	Capoten tabs 12.5 mg	Ortho-Novum 1/35 28
92	Diabeta tabs 5 mg	Minipress caps 5 mg	Eryc caps 250 mg
93	Inderal LA caps 80 mg	Tenoretic tabs 50 mg	Tranxene T-tabs 7.5 mg
94	Calan-SR tabs 240 mg	Theo-dur SA tabs 200 mg	Nalfon tabs 600 mg
95	Nalfon tabs 600 mg	Calan tabs 80 mg	Capoten tabs 12.5 mg
96	Ceclor susp 250 mg/ml	Augmentin tabs 250 mg	Augmentin susp 5 mg/5 ml
97	Tegretol tabs 200 mg	Aldoril-25 tabs	Vasotec tabs 10 mg
98	Pediazole susp	Accutane caps 40 mg	Rynatan ped susp
99	Erythrocin tabs 250 mg	K-tabs 10 mEq	Ceclor pul 250 mg
100	Bactrim-DS tab	Lo/Ovral-28	Vicodin tabs

Generic Substitution Guide

Brand Name (s)	Generic Name
NORPRAMINE	desipramine
NUPRIN	ibuprofen
OMNIPEN	ampicillin
ORINASE	tolbutamide
ORNADE	chlorpheniramine and phenylpropanolamine
ORTHO-NOVUM	norethindrone and ethinyl estradiol
OVRAL	norgestrel and ethinyl estradiol
PEDIAMYCIN	erythromycin ethylsuccinate
PEDIAZOLE	erythromycin ethylsuccinate and sulfisoxazole
PEN-VEE K	penicillin
PEPCID	famotidine
PERCOCET	oxycodone and acetaminophen
PERCODAN	oxycodone and aspirin
PERSANTINE	dipyridamole
PHENAPHEN w/CODEINE	acetaminophen w/ codeine
PHENERGAN	promethazine
POLYCILLIN	ampicillin
PREMARIN	estrogens, conjugated
PRINCIPEN	ampicillin
PROCAN	procainamide
PROCARDIA	nifedipine
PRONESTYL	procainamide
PROVENTYL	albuterol
PROVERA	medroxyprogesterone
QUINAGLUTE DURATABS	quinidine gluconate
REGLAN	metoclopramide
RESTORIL	temazepam
RETIN-A	tretinoin
ROBICILLIN-VK	penicillin
RUFEN	ibuprofen
SELDANE	terfenadine
SEPTRA	sulfamethoxazole and trimethoprim
SER-AP-ES	reserpine, hydralazine, hydroclorothiazide
SERAX	oxazepam
SINEQUAN	doxepin
SLO-BID	theophylline
SLO-PHYLLIN	theophylline
SLOW K	potassium chloride
SUMYCIN	tetracycline
SYNALGOS (DC)	aspirin and caffeine, (dihyrocodeine)
SYNTHROID	levothyroxine
TAGAMET	cimetidine
TALWIN NX	pentazoxine and naloxone
TEGRETOL	carbamazepine
TENORMIN	atenolol
THEO-24	theophylline
THEO-DUR	theophylline
THEOLAIR	theophylline
TIMOPTIC	timolol
TOLECTIN DS	tolmetin
TOLINASE	tolazamide
TRANDATE	labetalol
TRANSDERM NITRO	nitroglycerin
TRANXENE	clorazepate
TRENTAL	pentoxifylline
TRIAVIL	perphenazine and amitriptyline
TRIMOX	amoxicillin
TRINALIN	azatadine and pseudoephedrine
TYLENOL w/CODEINE	acetaminophen w/codeine
TYLOX	oxycodone and acetaminophen
V-CILLIN K	penicillin
VALISONE	bethamethasone
VALIUM	diazepam
VASOTEC	enalapril
VENTOLIN	albuterol
VIBRA-TABS	doxycycline
VIBRAMYCIN	doxycycline
VICODIN	hydrocodone bitartrate and acetaminophen
VISTARIL	hydroxyzine pamoate
VISKEN	pindolol
WYMOX	amoxicillin
XANAX	alprazolam
ZANTAC	ranitidine
ZYLOPRIM	allopurinol

Brand Products with Highest Rates of Substitution

Product	Rate of Substitution
Flagyl	70%
Vibramycin	67
Librium	62
Elavil	61
Bactrim DS	65
Hydrodiuril	61
Kwell	60
V Cillin K	59
Atarax	57
Septra DS	56

Source: Market Measures Inc.
Data compiled January—June 1987 National Substitution Audit.

Therapeutic Categories with Highest Rates of Substitution

Brand Name Prescription-Category	Rate of Substitution
Penicillins	55%
Trimethoprim	55
Tetracyclines	39
Analgesics, Narcotic	37
Antidiarrheals	36
Vasodilators	34
Antinauseants	32
Psychostimulants	32
Corticoids in Combination	29
Analgesics, Nonnarcotic	27

Source: Market Measures Inc.
Compiled January—June 1987 National Substitution Audit.

DRUG STORE NEWS

Vol. 10/No. 25 Our 60th year of serving chains, wholesalers and high-volume independents Published by Lebhar-Friedman Inc. Dec. 12, 1988

A Commemorative Issue

Sixty Years of Drug Store Retailing

Great American: Stylish discounting — Page 15

SAMI/Burke eyes what's hot where — Page 19

Blue Cross links Calif. Rx'ers — Page IP6

DRUG STORE NEWS®

Vol. 10/No. 25 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Dec. 12, 1988

Fantle's upscale prototype in Centreville, Va., represents new direction for beleaguered Dart Drug.

Upscale D.C. Fantle's give Dart Drug a lift

By Bruce Buckley

CENTREVILLE, Va. — Dart Drug recently unveiled its first two Fantle's drug stores, both sporting a new, upscale, department store-look designed to rebuild Dart's tattered image in the competitive Washington, D.C. market.

The two new Northern Virginia stores, an 18,000-square-foot unit in Centreville and a 12,000-square-foot version in Manassas, opened to what Dart chairman Sheldon "Bud" Fantle called "very gratifying" sales results. "During the first two weeks they exceeded expectations," he said.

Dart will open five more Fantle's stores

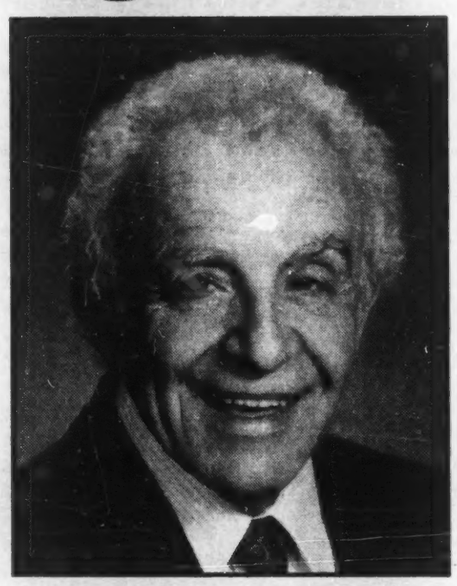
See **Fantle's,** *page 178*

'Individualist' Reg LaVerdiere dead at age 65

CHINA LAKE, Maine — Reginald Evariste LaVerdiere, who built LaVerdiere's Super Drug Stores into one of New England's fastest-growing drug chains, died at his home Nov. 24, Thanksgiving Day, after an illness of several years. He was 65 years old.

Born in nearby Waterville, where LaVerdiere's Drugs has its headquarters, he was the oldest son of Evariste and Lillian LaVerdiere. At age 15, he started working part-time in the business his father had founded in 1922.

"Reggie," as he was called by his friends and colleagues in the chain drug industry, was known for his warmth and outgoing personality, and as a man who was generous with his time and advice. He was also recognized as a highly astute businessman, with intuitive knowledge of his markets and customers.



Reginald LaVerdiere
Directed chain's growth

Uniquely suited to their rural markets, LaVerdiere's stores came to resemble

See **Reginald,** *page 178*

Management leads $500M Alco Health tender offer

Long-anticipated move finally surfaces

By Susan Ball

VALLEY FORGE, Pa. — A management-led investor group has launched a $500 million-plus, $31-per-share tender offer for Alco Health Services Corp.

The newly formed investor group, AHSC Holdings Corp., is made up of Citicorp Capital Investors; members of Alco Health management, including John F. McNamara, president and chief operations officer; and other institutional investors.

In a filing with the Securities and Exchange Commission Nov. 18, a subsidiary of AHSC Holdings made a cash tender offer for approximately 92 percent of Alco Health Services' shares, at $31 per share. The remaining 8 percent of shares will be converted into the right to receive subordinated debentures of AHSC Holdings.

The deadline for the offer is Dec. 16.

Alco Standard Corp., which owns about 36 percent of Alco Health Services' shares fully diluted, agreed to tender those shares into the offer. In addition, AHSC Holdings has an option to buy Alco Standard's shares of Alco Health Services under certain circumstances.

Citicorp Capital Investors is committed to back AHSC Holdings' offer with up to $50 million in subordinated debt and equity financing. Chemical Bank has committed to providing up to $350 million in financing for the transaction.

In a letter to AHSC Holdings, Drexel Burnham Lambert said it is confident it can raise the remainder of financing.

Analysts and others monitoring Alco Health Services have been expecting some offer to emerge since McKesson Drug's proposed acquisition of Alco Health Services for $30 per share ran afoul of Federal Trade Commission antitrust concerns in October. In fact, some had begun to wonder why such an offer was taking so long to surface.

At the time the merger with McKes-

See **Alco,** *page 180*

LATE NEWS

- NEWPORT BEACH, Calif. — Horton & Converse Pharmacies has agreed to purchase the assets of Exclusive Prescription Pharmacies, effective Dec. 18. Both date back to pre-1920s and have strong professional images.
- SHIREMANSTOWN, Pa. — Rite Aid Corp., citing too-low reimbursement levels, rejected an offer to participate in the UMWA Health and Retirement Fund's Cooperating Pharmacy Program in West Virginia.
- PONTIAC, Mich. — Perry Drug Stores has eliminated its longstanding discount policy on prescription drug co-pays by third-party customers, triggering an end to co-pay discounting by Arbor Drugs and Farmer Jack. Other Detroit-area drug and supermarket chains are considering similar moves.
- RALEIGH, N. C. — Kerr Drug provided emergency toiletry and sundry provisions to rescue groups after a Nov. 28 tornado tore through the Raleigh area, causing $100 million in damage and leaving seven dead statewide.

Solid waste laws would curb industry

Retailers seek fair, enforceable regs

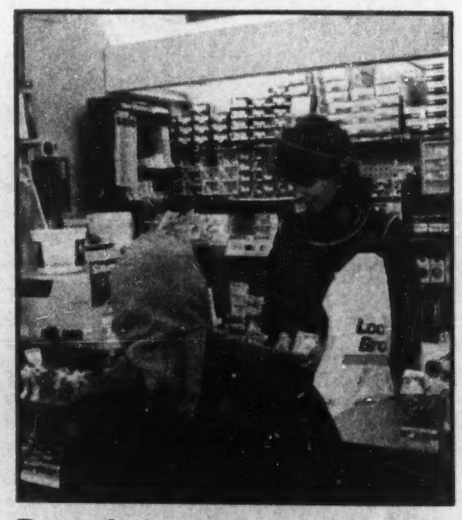
By David Vaczek

NEW YORK — Spurred by strong public support for action on waste disposal, lawmakers nationwide are developing laws to curb and manage the use of plastics in packaging—which will affect the drug store industry.

These regulations, and others aimed at all types of non-biodegradeable products such as household batteries, car batteries and tires, will restrict the ways vendors and retailers can use plastics.

Drug chains, for example, face curbs on plastic checkout bags, which are less expensive, take up less room, and are easier to transport than paper bags. Moreover, regulations on product packages could affect product size and shape as well as cost.

But local governments must translate the laws into fair, enforceable rules, a process that's just beginning with ground-breaking laws passed during the past year. That's



Drug chains might face curbs on the use of plastic checkout bags.

See **Trash,** *page 182*

NEWS IN BRIEF

Revco's reorganization period extended

TWINSBURG, Ohio — U.S. Bankruptcy Court in Akron, Ohio has extended a filing deadline for a reorganization plan by Revco D.S. until May 31, 1989. Revco will have three months after that date to line up acceptance of its plan among creditors.

"This is good news for Revco," noted chief financial officer Greg Raven. "The extension will allow us to move forward on the development of a comprehensive plan that will serve the best interests of all our constituencies."

The court also gave Revco until Feb. 2, 1989 to file a reorganization plan for its Odd Lot Trading subsidiary. Revco closed on the sale of the assets of Odd Lot to the Riklis Family Corp. on Nov. 22. Included in the sale are Odd Lot's 103 closeout stores and its 500,000-square-foot distribution center in Elizabeth, N.J.

Proceeds of the sale will help pay "post-petition administrative claims and expenses associated with the sale," according to Revco. The remaining sum will be held pending distribution under court supervision.

In another development, Revco has named Raven and Henry Kates as new directors of the company, joining its nine-member board. Kates is president and chief operations officer of The Mutual Benefit Life Insurance Co.

Scan-Tech highlights latest in technology

CHICAGO — A host of new technology applications for retailers, wholesalers and manufacturers flooded the trade floor of Scan-Tech '88, sponsored by the association of Automatic Identification Manufacturers (AIM). The annual trade show on automatic ID technology drew a record 225 exhibitors and as many as 10,000 attendees to Chicago's McCormick Place exhibition center in early November.

The focus of this year's event was integration of bar-coding systems into the modern workplace, including the point of sale. Also covered in seminars were topics like data communication and the economics of automation.

Industry execs host skin cancer benefit

NEW YORK — "A Moonlight Celebration" was the theme of this year's annual benefit by the Skin Cancer Foundation on Nov. 15. The event was a dinner-dance at the Waldorf-Astoria Hotel.

I. Howard Diener (center), executive vp-marketing at Peoples, was this year's general chairman. Eli Cohen (left), president and chief operations officer, Duane Reade, was co-chairman. Jim Bernard, (right) national accounts manager, Qualex, Durham, N.C., was among 800 drug and pharmaceutical industry officers who were entertained by television personality Dick Cavett and comedian Pat Cooper.

Nyhart takes trade group director's post

ARLINGTON HEIGHTS, Ill. — George Nyhart, former senior vp-trade relations with NACDS, has been appointed executive director of the American College of General Practitioners in Osteopathic Medicine and Surgery.

Nyhart was expected to assume his new duties at presstime, according to a spokesman for the 10,000-member organization based here.

A longtime executive with NACDS, Nyhart left the association in February.

Super Valu hypermarkets to debut next spring and fall

CUYAHOGA FALLS, Ohio — Super Valu Stores will enter the hypermarket sweepstakes when it opens its first combination discount/food/drug store in this Akron suburb in the spring. A second hypermarket will open a few miles away next fall in Euclid, Ohio, just outside Cleveland.

The stores will operate under the logo Twin Valu, and will feature 60,000 non-food items and 25,000 food items in a 180,000-square-foot setting. According to Super Valu, the huge outlets will bring together the expertise the Minneapolis-based retailer has gained through two subsidiaries—its Cub Foods warehouse superstores and its ShopKo mass merchandise division.

The stores will be open 24 hours, seven days a week, and each will move customers through 51 front-end checkstands. Departments will include a pharmacy, an optical center, one-hour photo lab, floral shop, bakery, deli, housewares and a large section for H&BA. The stores will also feature sporting goods, records, automotive centers, fashion and accessories, a portrait studio and a restaurant.

"Twin Valu will appeal to the time-, convenience- and price-sensitive customer," said Super Valu chairman and ceo Mike Wright. "It will provide high-quality, name-brand, discount-priced food and non-food merchandise in one efficient location."

Super Valu's Green Bay, Wis.-based ShopKo is planning and executing the concept. According to ShopKo president William Tyrrell, the firm has been "following the European [hypermarket] trend for several years."

A Super Valu spokesman said the company is "actively negotiating additional store sites in Ohio."

Just what effect the giant stores will have on northern Ohio's drug retailers is unclear. According to one Cleveland-based chain executive, the opening of a Makro store earlier this year in that market has had a limited effect. Makro, which is now majority-owned by K mart, operates warehouse club stores offering groceries, apparel and general merchandise. The chain now has two such units in the Cleveland area.

"The first week, customers couldn't get in the place it was so crowded, but by the third week the excitement had died down," he said. "I don't think it's going to hurt us that much."

Big B opens 200th store

Big B, which is celebrating its 20th anniversary, recently opened its 200th store, in Birmingham, Ala., featuring interior neon signage and POS scanning checkouts. In an expansion program that targets opening 23 stores this fiscal year, Big B plans to unveil seven more stores during its fourth quarter.

Sale-leaseback of Cullum properties?

DALLAS — Cullum Cos. is contemplating the sale-leaseback of its 50-percent interest in two hypermarkets it operates here in a joint venture with Wal-Mart. It may also do a sale-leaseback of some combos in Austin and elsewhere, stated a Cullum prospectus issued by Morgan Stanley & Co.

Cullum is trying to raise cash to help repay debts associated with its $529 million LBO. Cullum officials could not be reached for comment at presstime.

Longs gets private label award

CHICAGO — Longs Drug Stores was honored as this year's best chain drug retailer of private label merchandise.

The award came at the annual "Salute to Excellence" awards breakfast here, sponsored by the Private Label Manufacturers Association (PLMA) at its recent Store Brands Bandwagon show.

The chain has spurred house-brand sales the past year with a complete package overhaul of its 800+ private label products, and stronger merchandising and promotional efforts.

Bob Willis, Longs' senior merchandise administrator, said the chain has gone with a more upscale, unified look in packaging, replacing its old foil-wrapped packages with fully lithographed labels for a higher-quality image. It has also made product quality a central theme in the procurement process and in advertising and marketing efforts as it expands the private label line to new areas.

"As we develop more ad space for private label, we're trying to encourage more sales efforts for it by our store managers, although we don't force them to take on any particular private label product," Willis told *Drug Store News*. "One of the reasons sales and acceptance are going up is that we're moving toward an across-the-board quality assurance program for house brands."

Anniversary issue copies available

A limited number of hardbound and softbound copies of this 60th anniversary issue are available from *Drug Store News*. Prices are $20 for the hardbound edition and $10 for the softbound version.

Write to Christine Bizzarro, *Drug Store News*, 425 Park Ave., New York, N.Y. 10022; (212) 371-9400, ext. 262.

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About the cover: Pictured is a Hook Drug Store in Indianapolis, dating back to 1928.

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SPECIAL SAMI/BURKE REPORT

Best sellers differ by geographic market

Product Tracking Alan Miller

In my last column I focused on national best-selling health and beauty aids products and how the list differs between food stores and drug stores. The comparisons were based on data from all 54 SAMI markets combined.

This time I want to touch on variations in each of six geographically dispersed markets. These findings are based on reports for the year ended Oct. 7. There are so many variables to be analyzed, that I can only look at a few. Among them are:

1. The best-selling H&BA item is the same in both Boston/Providence* and New York drug stores. It's an eye care product. In Miami and St. Louis, the best-selling list is headed by an internal analgesic—same brand but a different size.

The leading item in Dallas is a synthetic vitamin, closely followed by a cold remedy capsule. In San Francisco, an antacid heads the list. That SKU doesn't make the top 10 list in either New York or Boston/ Providence.

2. Of the 60 positions on the best-selling lists (six markets times top 10 items in each market), 23 are taken by internal analgesics. No other category comes close.

Next on the list is the eye care category, with seven places among the top 60. That's followed by mouthwashes (six positions); antacids (five) and cold remedies (four). In both Boston/Providence and New York, the top 10 list is dominated by the internal analgesic category: five positions out of a possible 10 in each market.

Of the 60 positions on the best-selling lists (six markets times top 10 items in each market), 23 are taken by internal analgesics. No other category comes close.

3. There are wide variations in the retail dollar amounts generated by the leading item in drug stores in each of the six markets. In New York the eye care item that ranked as the No. 1 drug store seller had more than $2.1 million in sales.

St. Louis' top item, an internal analgesic, had sales of $215,000. In fact, the item that ranked 500th on the New York drug stores' H&BA list generated more sales, $218,400, than St. Louis' leading item. Obviously the size of the market is the main reason for the differences, but there is also the importance of drug stores relative to other retail markets.

4. In St. Louis and Miami, the top 10 items come from seven different product categories, whereas in San Francisco, Boston/Providence and Dallas/Fort Worth, only five categories are represented on the top 10 list—and not necessarily the same five.

In Boston/Providence and San Francisco, two of the top 20 items are eye care products. In contrast, the highest-ranking eye care product in Dallas/Fort Worth is number 41 on the market's list of best-selling drug store products.

5. There were also market-by-market variations in the importance of new items that have hit the top 500 list in the past year. In St. Louis, 16 new items landed among the top 500 products, while in Boston/Providence only seven managed to make the list.

The number of new products making the 500 list in the four other markets are: Miami, 12; San Francisco, 10; and New York and Dallas/Fort Worth (both eight). In most instances, these new items were health rather than beauty aids.

**Readers interested in reviewing a "Top 500" rank report for drug stores in Boston/Providence may obtain a copy by sending a request (written on company letterhead and signed by a company executive) to: Warren Spence, vp, H&BA marketing, SAMI/ Burke, 55 Greens Farms Road, Westport, Conn. 06880.*

Incidence of categories in which top 10 items in drug stores are found in six geographically dispersed SAMI markets

(Year ended Oct. 7, 1988)

Category	Boston/Provid.	New York	Miami	Dallas/Ft. Worth	St. Louis	San Fran.	Total
Internal analges.	5	3	4	5	4	2	23
Eye care	2	2			1	2	7
Mouthwash		2	1		1	2	6
Antacids		1	1		1	2	5
Cold remedies	1			2	1		4
Cough remedies	1		1		1		3
Facial preps		1				2	3
Synthetic vits.		1	1	1			3
Laxatives & stool softeners			1	1	1		3
Nasal spray/ drop/inhaler			1	1			2
Denture cleaners	1						1
Total	10	10	10	10	10	10	60

Source: SAMI/Burke

Category in which leading H&BA item in drug stores is found

(52-week period ended Oct. 7, 1988)

Market	Leading Brand Category
Boston/Providence	Eye care
New York	Eye care
Miami	Internal analgesics
Dallas/Fort Worth	Synthetic vitamins
St. Louis	Internal analgesics
San Francisco	Antacids

Source: SAMI/Burke

In Boston/Providence and San Francisco, two of the top 20 items are eye care products.

Drug store sales generated by leading item and lowest item on SAMI top 500 H&BA list

(in thousands of dollars)

	#1 Item	#500 Item
New York	$2,122.3	$218.4
Boston/Providence	1,627.4	192.0
San Francisco	1,160.8	123.7
Miami	622.5	77.6
Dallas/Fort Worth	391.6	50.6
St. Louis	214.5	21.1

Source: SAMI/Burke

New items on top 500 list of H&BAs sold in drug stores

(Year ended Oct. 7, 1988)

Market	Category	Item Description
Boston/Prov.	Internal analges.	Advil Caplets/Tabs Floorstand.
	Mouthwash	Plax Mouthwash Mint 16 oz.
	Eye care	Aosept Disinfecting/Saline Solution 12 oz.
	Razor blades	Daisy Ladies Razor 10s.
	Internal analges.	Tylenol Gelcaps Extra Strength 50s.
	Eye care	Ciba Vision Saline Aerosol 12 oz.
	Internal analges.	Bufferin 200s
New York	Mouthwash	Plax Mouthwash mint 16 oz.
	Eye care	Aosept Disinfecting/Saline Solution 12 oz.
	Internal analges.	Advil Caplets/Tabs Floorstand.
	Antacids	Maalox Plus Liquid Extra Strength 12 oz.
	Shampoo	Clean & Clear Extra Body 11 oz.
	Razor blades	Gillette NCAA Atra/Trac II Display.
	Mouthwash	Plax Mouthwash Mint 8 oz.
	Toothpaste/powder	Viadent Tooth Paste Floorstand 7 oz.
	Internal analges.	Tylenol Caplets Extra Strength 25 Free 100s
Miami	Toothbrushes	Py-Co-Pay 48 Unit Display.
	Mouthwash	Plax Mouthwash Mint 16 oz.
	Antacid	Gaviscon Tablets Extra Strength 100s.
	Eye care	Aosept Disinfecting/Saline Solution 12 oz.
	Suntan lotion/oil	Pre-Sun Creamy Sunscreen SPF 39 4 oz.
	Internal analges.	Tylenol Gelcaps Extra Strength 50s.
	Suntan lotion/oil	Coppertone Lotion Sunblock SPF 30 + 4 oz.
	Baby oils/creams/lotions	Desitin Baby Ointment Tube Med. 2¼ oz.
	Appetite suppress.	Fibre Trim Fruit Tablets Berry 18s.
	Natural vitamins minerals/ supplements	Ferro-Sequels Iron T/R Tabs 100s.
	Suntan lotion/oil	Coppertone Lotion Sunless 3¾ oz.
Dallas/Fort Worth	Antacids	Gaviscon Tablets Extra Strength 100s.
	Antacids	Maalox Plus Liquid Extra Strength 12 oz.
	Eye care	AoSept Disinfecting/Saline Solution 12 oz.
	Appetite suppress.	Stay-Trim Gum Assorted 20s.
	Internal analges.	Doans Backache Extra Strength 24s.
	Internal analges.	Tylenol Caplet Extra Strength 25 Free 100s.
	Suntan lotion/oil.	Coppertone Lotion Sunless 3¾ oz.
	Appetite suppress.	Fibre Trim Fruit Tabs Berry 18s.
	Appetite suppress.	Fibre Trim Fruit Assorted Tabs 6s
St. Louis	Hair coloring	Sun In Lightener Assorted 4¾ oz.
	Mouthwash	Plax Mouthwash Mint 16 oz.
	Eye care	AoSept Disinfecting/Saline Solution 12 oz.
	Internal analges.	Tylenol Caplet Extra Strength 25 Free 100s.
	Antacids	Gaviscon Tablets Extra Strength 100s.
	Suntan lotion/oil	Coppertone Lotion Sunless 3¾ oz.
	Internal analges.	Tylenol Gelcaps Extra Strength 50s.
	Cough syrups	Robitussin DM 12 oz.
	Shampoo	Silkience Extra Body 32 oz.
	Internal analges	Advil Tablets 250s.
	Eye care	Lens Plus Bonus 8 oz.
	Eye care	Ciba Vision Saline Aerosol 12 oz.
	Stick deodorants & pads	Lady Speed Stick Anti-Pers. Asst. 1½ oz.
	Internal analges.	Tylenol Gelcaps Extra Strength 50s.
	Hair spray	Rave Max. Hold Unscented Non-Aerosol 7 oz.
	Laxatives/stool softeners	Metamucil Powder 32 oz.
San Francisco	Eye care	Aosept Disinfecting/Saline Solution 12 oz.
	Mouthwash	Plax Mouthwash Mint 16 oz.
	Antacids	Gaviscon Tablets Extra Strength 100s.
	Cough remedies	Sucrets Assorted Display.
	Laxatives/stool softeners	Metamucil Powder 32 oz.
	Appetite suppress.	Fibre Trim Fruit Tabs Berry 18s.
	Laxatives/stool softeners	Metamucil Powder Orange 32 oz.
	Antacids	Maalox Plus Liquid Extra Strength 12 oz.
	Appetite suppress.	Fibre Trim Fruit Tabs Orange 18s.
	Lip care	Blistex Lip Conditioner W/PABA ¼ oz.

Source: SAMI/Burke

NOTE

Some charts and graphs were color-coded in the original document. While it has not been possible to reproduce these items in color, their equivalent values on the black-and-white scale are often distinct enough to convey the same information as the original colors.

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DRUG STORE NEWS

Vol. 11/No. 1 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Jan. 9, 1989

Signing agreement are Ira Shain, ACDS president, seated left, and Phil Weinstein, head of Affiliated. Standing, from left, are lawyers Martin M. Lore, Paul Feuerman and Keith Moskowitz.

Merged buying group has 103-chain clout

Affiliated/Associated Drug Stores is born

NEW YORK — The chain drug industry's two buying groups signed a merger agreement here last month, creating a single organization representing 103 drug chains with 10,800 stores throughout the United States and Canada.

The new group, called Affiliated/Associated Drug Stores, will be headed by Philip Weinstein, who was president of Affiliated Drug Stores before the merger. Ira Shain, president of the Associated Chain Drug Stores, the other buying group, was set to retire on Jan. 1.

Jack E. Fruth, president of Fruth Pharmacy, a 10-store chain based in Point Pleasant, W. Va., will be the first chairman of the new organization.

Weinstein said the new company will retain the best promotional and informational programs of each group, including Associated's coupon book and calendar programs and Affiliated's information exchanges.

Both Weinstein and Shain

See **Merger,** *page 41*

Rite Aid sees 20% earnings drop

Newly-bought stores cited; a rebound is anticipated

SHIREMANSTOWN, Pa. — Rite Aid attributed an anticipated 20-percent drop in third quarter earnings partly to weak performance at some SupeRx, Gray and Drug Fair stores it acquired last year.

The chain also cited other factors for the expected earnings fall:

- Increased expenses were incurred to aggressively roll out POS systems and remodel acquired stores.
- ADAP auto parts stores will post a slight profit, but a large drop from last year's comparable quarter.
- Earnings slid in the Sera-tec plasmapheresis center business.
- Video rental volume, hurt by competition, declined 16 to 18 percent, analysts estimated, and could cost as much as two to three cents in profit in the third quarter.

Sales in the acquired drug stores, which were expected to be flat compared to last year's quarter, will instead be down 9 percent, Rite Aid said.

Reaction to the announcement from the bellwether chain initially drove the stock price down six dollars, to $29 a share.

"It's shaken up a lot of people. Drug retailers tend to be fairly consistent performers," said Kimberly Walin, an analyst at Prudential-Bache,

See **Rite Aid,** *page 41*

Chain names 3 as Roger Grass leaves

SHIREMANSTOWN, Pa. — Rite Aid has promoted three executives to fill vacancies created when Roger Grass left to pursue other opportunities.

Grass, 33, said he faced a "personal decision" to "move out on my own or stick it out with Rite Aid." His brother, Martin, is remaining as executive vp.

Grass was handling increasing duties this past year. As senior vp-merchandising, he also assumed the posts of senior vp-purchasing and general manager of ADAP.

As he explores new retailing endeavors, Grass has the comfort of owning 540,000 shares of Rite Aid stock.

Grass's title won't be recreated. Instead, his duties will be spread among others, a company spokesperson said.

Gerald Cardinale will continue as vp-merchandising. Kevin Mann, formerly assistant vp-purchasing, was promoted to vp-purchasing. And E. Tony Montini, formerly assistant vp purchasing-administrative, takes over the vp purchasing-administrative post.

Also, John Foster, a Rite Aid business analyst, was named general manager of ADAP.

Albertson's to buy 8 Texas Tom Thumbs

BOISE, Idaho — Albertson's has agreed to buy eight Tom Thumb Food/Drug combination stores in Texas from Cullum Companies.

Six of the stores are in Austin, one is in Longview, and another in Tyler, Texas.

The purchase will give Albertson's seven stores in the Austin market. More will be added as appropriate sites are found, spokesman Craig Olson told *Drug Store News.*

Five of the acquired stores are currently food-drug combination stores, two are super food stores and one is a conventional supermarket. It is conservatively estimated the eight stores generate $150 million-plus annually.

Seven of the eight stores have pharmacies, and if Albertson's runs true to form, they may be able to build that business to exceed 1,000 scripts per store per week. Seven of the acquired stores also have strong cosmetics and toiletries departments, and Albertson's will continue to grow that part of the business.

"We put a lot of emphasis on cosmetics," Olson said. Albertson's, the U. S.'s sixth largest food merchant, operates 487 stores in 17 states, including 124 combos.

The transaction, subject to review by the Department of Justice and the Federal Trade Commission, is expected to close by mid-January.

LATE NEWS

- TWINSBURG, Ohio — Revco D.S. sustained a $17.9 million net loss in its second quarter ended Nov. 12, 1988, but managed to generate operating cash flow of $13.8 million in the first six months of the fiscal year. The loss reflected the continuing impact of "extraordinary costs and temporarily low inventory levels" arising from Revco's bankruptcy last July 28, according to chief financial officer Greg Raven.
- VALLEY FORGE, Pa. — The management-led investor group buying Alco Health Services Corp. has gained a majority of shares in its $31-a-share tender offer. As of Dec. 21, 10.6 million shares had been tendered. The $500 million-plus offer is for 15.3 million shares, or 92 percent of total outstanding shares.
- DETROIT — A&P has finalized a deal to acquire Borman's Inc. for $75.6 million. Borman's operates 80 Farmer Jack supermarkets in and around the Detroit market, including 37 with pharmacies. A Borman's spokesman said it was too early to speculate on what changes A&P would make.

Perry Drug cuts 3rd-party co-payment discounts to preserve its profitability

By Barbara White and James Frederick

PONTIAC, Mich. — Perry Drug Stores has struck a risky blow for higher margins at the prescription counter by eliminating the co-pay discounts it has offered its third-party customers for most of the past two decades. Other chains have been quick to follow.

Winkelman

"We are faced with eroding margins and the need to run a profitable business," said Mike Winkelman, vp-pharmacy operations at Perry. Winkelman said with the cost of prescription products and the cost of operations rising, and no adjustments of reimbursement rates by the

See **Perry,** *page 41*

NEWS IN BRIEF

Pay 'n Save converting deep discounter

KANEONE, Hawaii — Pay 'n Save is converting its only deep discount drug store, Price Fighter, into a traditional drug store format here this month.

The store originally opened as a Pay 'n Save store, but converted to a deep discounter approach several years ago, when conventional stores changed their merchandising position by bringing in more close-out and import merchandise.

Now under Thrifty, Pay 'n Save is fine-tuning much of its operation. Dick Eils, president of Thrifty and the division, said the 25,000-square-foot Price Fighter will have "a broader, more appealing selection of merchandise" when it is reopened. The company now operates 13 drug stores on Oahu, and has plans to open a 14th site on the island in August.

McKesson sells last liquor subsidiary

SAN FRANCISCO — McKesson Corp. has gone dry, selling its last alcoholic beverage company.

The divestiture of Mohawk Liqueur to a newly-formed company for an undisclosed amount keeps the promise McKesson made last June to sell off all its liquor subsidiaries. The combined businesses accounted for $46 million of sales during the fiscal year ended last March 31.

McKesson is now left with its drug and general merchandise distribution operations, prescription drug processing business, bottled water company, and car care products division.

Eckerd ends investment in Ross stores

NEWARK, Calif. — Ross Stores said will buy back the remaining 432,000 shares of common stock held by Jack Eckerd Corp.

As a result of the privately arranged transaction with Jack Eckerd Corp., John W. Boyle, senior vp-finance and administration for the Jack Eckerd Corp., stepped down as director of Ross Stores.

Ross Stores said it plans to finance the approximate $5 million purchase price using existing cash balances. The repurchased stock represents about 2 percent of the company's outstanding stock.

Drug Emporium eyes investor relations

COLUMBUS, Ohio — Drug Emporium has retained Investor Relations Consultants to provide a broad range of investor relations services.

Philip I. Wilber, chairman and founder of Drug Emporium, which went public last June 30, said IRC will help the company establish and maintain regular communications with professional investors, and produce the firm's annual and quarterly reports to shareholders.

Drug Emporium operates or franchises 164 stores in 26 states with revenues of $900 million annually. Traded on NASDAQ under the symbol DEMP, trading has ranged from $15 to $18 per share.

Austin Drugs donates to children's fund

EAST MEADOW, N. Y. — Austin Drugs, recognizing the people in this country in need of food, clothing and shelter, made a donation of money to "Save The Children" on behalf of its employees, customers, vendors and friends.

Gary Spielfogel, Austin's president, said the donation was made in lieu of holiday greetings and gifts of thanks to the chain's friends and associates. The endeavor will be an ongoing program.

Revco bows toll-free Pa. number

TWINSBURG, Ohio — Revco D.S. is offering a toll-free customer service number for shoppers in its 82 Pennsylvania stores as part of its "A Friend for Life" customer service buildup. Customers can call Pat Morgan, Office of the President, at 1-800-77-REVCO between 8:30 a.m. and 5 p.m. (EST) weekdays with questions or suggestions. The response in Pennsylvania will determine whether Revco goes chainwide with the toll-free line.

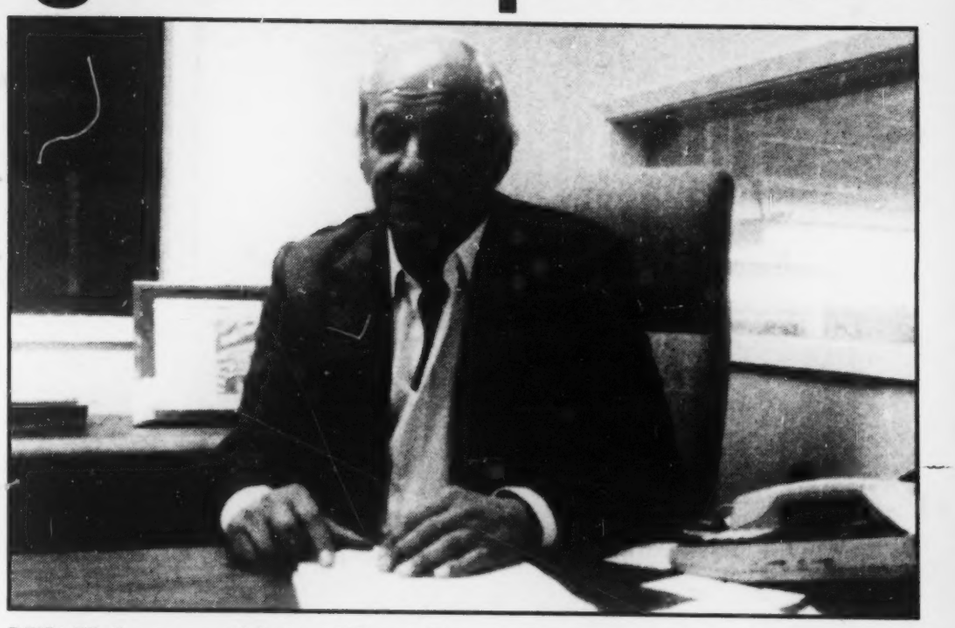
Sloban's sharp realty eye key to Drug Barn expansion

COLMA, Calif. — Four-store deep discounter Drug Barn plans to open two stores in its home market of the San Francisco Bay area next year.

The secret of its growth over its five-year life is a sharp grounding in real estate, president Milt Sloban told *Drug Store News*. He should know; he's been in real estate since the 1960s, when, running Drug Mart out of Detroit, he sought to bring a group of doctors closer to one of his stores. Sloban soon found himself a co-developer of a medical office building.

By the early '80s, he found

See **Drug Barn,** *page 41*



Milt Sloban, president of Drug Barn, has plans to open two stores in the San Franciso Bay area next year.

Arbor Drugs continuing its roll

TROY, Mich. — If success in chain drug retailing can be measured by a lack of concern among a company's shareholders, Arbor Drugs must be in top form.

Arbor's executive team held their yearly get-together with shareholders Dec. 15, and it had to be one of the shortest, least-attended and most uneventful annual meetings in the history of corporate America. Indeed, the few shareholders who came out barely had time to sit down before the "meeting" was adjourned. No one had any questions.

"We held it to five minutes this year, folks," quipped Eugene Applebaum, Arbor's ebullient chairman, president and chief executive, at the end of the session. "That's two minutes off last year's record."

Applebaum and Max Ernst, executive vp/chief operations officer, insisted that the short, sparsely attended annual meetings Arbor has held since it went public in April 1986 are a sure sign of success. "We must be doing something right, because nobody has any questions," said Ernst.

Arbor's continuing momentum lends credence to their optimism. The chain has parried its basic, pharmacy-oriented brand of drug store retailing into a string of successful sales and earnings reports and steady growth in store count. By the end of its current fiscal year next July, the chain will number 90 units in Michigan, Applebaum said.

Shareholders were also soothed by Arbor's recently released first-quarter results, which showed a 14.3-percent rise in net earnings, to $1.6 million, and a 19.9-percent gain in net sales, to $67.6 million, for the period ended Oct. 31. Comparable-store sales grew a healthy 10.7 percent as newer and acquired stores entered their second year under the Arbor banner.

Arbor's last fiscal year was marked by several milestones. The chain boosted its pharmacy business to 34.6 percent of total sales, up from 25.2 percent three years ago. A technologically advanced distribution center—four times the size of the warehouse it replaced—opened last February. Arbor also established an on-line computer hookup with one of its biggest third-party contractors last year, cutting operating costs, and reformated its cosmetics departments in stores to group products by brand instead of type.

In addition, Arbor is in the midst of an expansion program that will see the opening or acquisition of 10 to 15 new stores a year, Applebaum said.

As part of that growth, the chain cracked the Lansing, Mich., market in 1988, and boosted its share of the southeastern Michigan drug store market to 19.5 percent, from 17.1 percent the prior year, according to Metro Market Studies.

Manee named DrSN associate publisher

NEW YORK — Jill Manee has been promoted to associate publisher of *Drug Store News*, after serving as the publication's national sales manager the past three years.

Jill Manee

During that period, *Drug Store News* has steadily increased pages, improved market share and expanded staff.

Her new position will now involve her in the newspaper's total operations, including retailer contact work, while managing the sales effort through a national sales force. She will continue to report to vp-publisher Jay Forbes.

The promotion positions Manee for a future role as publisher within parent company Lebhar-Friedman Inc., while allowing Forbes to spend more time with industry leaders. Forbes said of Manee: "She has met every challenge asked of her, and done so in a highly spirited manner. Jill has shown imagination, perserverance and dedication, all of which equip her for an eventual publisher's position."

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Vol. 11, No. 1 Jan. 9, 1989

TRENDS

THE TOP 10 HOTTEST CATEGORIES

- Family Planning
- Snack Foods/Soft Drinks/ Convenience Foods
- Sun Care
- Home Office Supplies
- Books
- Greeting Cards
- Home Diagnostic Tests
- Baby Care
- Batteries
- Film

How hot will 1989 be at drug chains? That depends in part on the success of categories cited by chain drug merchants and pharmacy directors as having the best growth prospects this year. Their favorites differ somewhat from last year's.

In *Drug Store News's* Hot Catagories Survey of what drug chains expect to be the 10 strongest growth areas, sun care, baby care, greeting cards, paperback books, batteries and film won spots on the 1989 roster, bumping such categories as eye/lens care (see sidebar), reading glasses and nutritional supplements.

Family planning, especially condoms and home pregnancy test kits, tops the list for the second year in a row, and convenience foods, home office supplies and diagnostic test kits remain among the strongest contenders, in the estimation of this year's survey respondents.

Two dozen chains are represented in results of this survey, which garnered a 30-percent response rate.

Heightened public awareness of the need for condom protection and growing consumer acceptance of the low-priced and more accurate testing kits now on the market were factors that helped prompt three out of four respondents to favor the family planning department for outstanding growth (forecast to average 15.4 percent) in '89. Innovative new products, increased marketing of condoms to women and good margins also contributed to this category's appeal.

Snacks, candies and convenience foods were cited by 58 percent of survey respondents, with growth anticipated at 12.9 percent. Chains are aggressively promoting edible groceries as traffic builders, and more are adding mini-convenience-food departments as a way of maximizing the category.

Fifty-four percent of respondents cited sun care as deserving a place in the sun in the new year, forecasting an average growth of 15.2 percent. Protection for those exposed to lots of sun—outdoor workers, children and sports enthusiasts—is perceived as a consumer priority, in addition to high-SPF (sun protection factor) brands.

Despite mean competition from discounters and specialty chains, home office supplies continues to be a favorite with forecasters polled: More than half (54 percent) of respondents cited the category, predicting growth of 16.8 percent. Computer supplies is seen as a good segment for stores in university, high-tech industrial and metropolitan areas.

Soaring health care costs have moved increasing numbers of consumers to use home diagnostic test kits, and 46 percent of respondents saw this category as potentially hot, with 20.8 percent growth forecast for '89. Retailers say most products in the category are not particularly price sensitive and that diabetic products, especially, warrant expanded space.

Baby care, a new arrival among the 10 hottest categories, was cited by 29 percent of respondents as a promising area. Diapers for "premies" and diapers with special strategic padding for girls and boys (you've come a long way, baby!) are adding interest to the category, whose growth is forecast at 11.7 percent this year.

Twenty-one percent of survey respondents liked greeting cards for the top 10, predicting 14.6 percent growth. Factors contributing to that growth include a 7 percent to 8 percent price hike by major companies during 1988, as well as new strategies for placement, display and assortment. Innovative fixtures and organizing systems that help consumers find the card they want are features expected to help boost the category.

Books (especially paperbacks), batteries and film each was cited by 17 percent of respondents as hot categories for 1989. Books and paperbacks are predicted to grow 24 percent; batteries, 17.5 percent; and film, 10 percent during the year.

Consumers are coming to accept higher price points for paperbacks, and convenience is drawing a healthy share of bookworms to drug stores, whose operators are finding sales sensitive to the category's location in the store.

Cosmetics, hosiery, lens care categories also cited

Three categories came close to gaining hot-category status among drug chain merchandisers and executives who responded to *Drug Store News'* survey: eye and face cosmetics, hosiery and eye/lens care.

Thirteen percent of respondents cited eye and face cosmetics as potentially hot in 1989, with growth forecast at 14.3 percent. Max Factor's No Color Mascara was a shot in the arm to the eye makeup segment, and new, lighter face cosmetics are boosting that segment's prospects.

Hosiery also was cited by 13 percent of respondents, who predicted 8.7 percent growth this year. Chains, conscious of women's increasing disposable income and penchant for fashion, are broadening their selection with higher-end brands. Some drug stores merchandise hosiery near fragrances, cosmetics and jewelry to garner added sales.

The eye/lens care category was cited by 8 percent of respondents as potentially hot in '89, with predicted growth of 17.5 percent. Reasons include high margins, physician recommendations of brands and constant product innovation. In addition, contact lens users follow a regimen of product, which translates into multiple sales.

BEST COPY AVAILABLE

Family planning section a favorite among retailers

Led by a surge in sales of home pregnancy test kits and condoms, the drug store family planning department is poised for further big gains, retailers agree.

In fact, three out of four respondents in the latest *Drug Store News* Hot Categories Study of chain drug merchandisers and executives ranked the family planning area as one of the hottest in drug store retailing,

DRUG STORE NEWS

Top 10 Category Stats:

75% of the retail drug merchants surveyed by Drug Store News said family planning would be one of the hottest merchandising categories in 1989, with sales increasing 15.4%.

Source: *Drug Store News* survey

putting it at the top of the list of favored growth categories for 1989.

Retailers like the category for a whole range of reasons: growing consumer awareness of the need for condom protection and of the convenience, low price and accuracy of home testing kits; the willingness of condom manufacturers to aim at women buyers with new packaging and female-oriented advertising; the fact that the category remains by and large the special province of drug stores; new product innovations; and the healthy margins offered by both condoms and testing kits.

"Not only are these products selling very well, but you can make good money with them," said Michael Weiner, vp and head buyer for Rix Dunnington in Massachussets. "The margins are definitely there."

"This is a good business with good, steady growth," added Gary Crawford, director of cosmetics and H&BA operations for Randall's Food & Drug. "We expanded and refixtured our family planning section about a year ago in anticipation of growth, and it's lived up to our expectations."

Merchants are particularly excited about pregnancy and ovulation testing kits as consumer awareness has grown and new, easier-to-use kits have come on the market. Both developments are fueling a booming growth market.

"We had a really good year with home testing kits," said Weiner. "Everything is being done at home these days, and the awareness of these things is much better than it used to be."

"Testing kits have been very strong this year," agreed a spokesman for Rite Aid.

Fruth Pharmacy, a 12-store chain in West Virginia, also reports a big increase in pregnancy kit sales. "Over the past year we've gone from stocking just two of the home testing kits to stocking six or seven of them, and we've expanded space for all these (family planning) products," said vp Don Pullin.

Sales of home pregnancy and ovulation testing kits are being driven by product breakthroughs as well as growing consumer acceptance. "We're seeing new, more sophisticated testing kits that offer simplicity and accuracy, and they're going to change this market," said Randall's Crawford. "I don't often get excited about a new product, but I'm impressed with Whitehall Labs' new one-step pregnancy test. I expect a lot of sales out of that product."

That kit, called CLEARBLUE Easy, has been in some stores for a couple of months. It is the first in mass distribution to rely on monoclonol antibodies to give rapid, one-step test results.

Most retailers continue to home condoms, pregnancy and ovulation test kits and feminine hygiene products together in family planning sections near the pharmacy. Some, however, have begun breaking out some items for secondary locations as sales in each subcategory have taken off. "We had everything in the family planning department, but now we're moving the main condom section back to the pharmacy area and leaving a smaller selection with the testing kits and fem-hygiene products," Crawford said.

The AIDS scare continues to transform sexual and social behavior, boosting sales of condoms and changing and broadening the demographics of condom consumers. "Social demand has changed a lot, and women are the aggressors now as far as condom protection goes," said Fruth's Pullin. "We've added the new condoms aimed at women, and we only carry the dozen-packs, not the three's. Three-packs are easier to pilfer, and anybody using condoms regularly now is going to get a dozen at a time anyway."

"Women are probably 80 percent of my condom buyers now," added Weiner of Rix-Dunnington. "They're bolder and more open about it than men, who still get embarrassed and wander around the store before they get up the courage to buy them."

Weiner has added newer condom brands like Mentor and Lifestyles to his staple pegged offerings of Trojans and Schmid, saying, "We go with the demand trends." Rix and most other drug chains stay with a fairly basic mix, however.

"We're getting good growth from condoms, but I don't think adding a lot of new SKUs really adds to your sales growth," said Crawford of Randall's.

In Orlando, Fla., two competitors take similar approaches to merchandising condoms near feminine hygiene. At both Albertson's (top) and Drug Emporium (bottom), retailers count on high purchase rates by females. Notably, Albertson's uses price signs to denote value in a highly identifiable category.

Longs makes the effort to explain the purpose of ovulation test kits and the effectiveness of a home pregnancy test in its circular. These items carry healthy tickets, and at most chains are displayed by pharmacy for possible consultation.

AIDS has no profound effect on use of condoms in U.S.

The AIDS scare has had several years now to percolate through the strata of America's social life, but so far it hasn't profoundly altered behavior patterns among many sexually active young adults, and it has yet to touch off any stampede into the use of condoms.

This despite the fact that favorable opinion of the condom rose sharply among American women between 1982 and 1987, from a 38 percent favorable rating to a 60 percent rating, said a study by The Alan Guttmacher Institute, which noted "heightened concern about AIDS."

During the same period, approval of the IUD dropped from 26 percent of American women polled for the study to 19 percent. In addition, the Guttmacher report warned, other means of birth control might also suffer sales declines "if juries make more awards against spermicides manufacturers.

Use of condoms, however, has certainly increased. Sales were pegged by some estimates at more than $400 million in 1988, at a retail growth rate of 25 percent or more in unit volume through all outlets. Nevertheless, only 16 percent of unmarried women were using condoms when the Guttmacher study was conducted in 1987. That represented a significant jump from the 9 percent using condoms in 1982, but it indicated that the switch to condoms has been slow to develop.

A study by Schmid Laboratories also showed a "lack of growth in condom use" that was "most pronounced among young people," who even showed a slight decline in use from January to October 1987. Schmid estimated at that time 20 percent of adult men and 11 percent of women used condoms.

A more recent study by Trojan manufacturer Carter-Wallace, however, may indicate growing acceptance of condoms. The study found that 38 percent of single women and 48 percent of single men have used a condom within the past year.

The study also indicated that use of condoms is greatest among the 18- to 24-year-old age group.

Chains nourished by snack, candy and c-food sales

Snacks, candies and foods continue to be a strong growth area for chain drug stores.

Just about every major chain today uses the grocery category as a traffic builder and more chains are also adding or expanding snack shoppes and mini convenience food departments.

Walgreen's and Thrifty Drug both have mini-convenience food departments in about a third of their stores, and many other chains such as Eckerd, Peoples, SupeRx, Longs, etc. have c-food departments in select locations.

Usually when chains use groceries as promotional traffic builders, they favor promoting high consumption commodity items such as soft drinks, candies, cookies, juices, cleaners and pet foods.

DRUG STORE NEWS Top 10 Category Stats:

58% of the retail drug merchants surveyed by Drug Store News said snack foods/candy/convenience foods would be one of the hottest merchandising categories in 1989, with sales increasing 12.9%.

Source: *Drug Store News* survey

As one of the fastest growing categories in chain drug stores, snacks are often endcapped near related high margin departments to attract traffic. Here a snack endcap anchors a convenience food section in a Shoppers Drug Food Basket store.

Drug chain snack facts

- Candy sells especially well in urban neighborhoods, many buyers say. The prime customer is the office worker who uses candy throughout the day as an energy charger.
- Deep discount chains seldom even bother to advertise a high consumption item like a candy or a soft drink. A chain like Rock Bottom, Phar-Mor or Drug Emporium will simply build a massive floor display or stock hundreds of cases out on an end, and sources say their mere exposure in the store will turn the display as often as every other week.
- Many deep discounters have soft drink bottlers servicing their stores several times a week just to insure that their massive displays and permanent departments are in stock in this fast-moving category.
- Many deep discount chains also have soft drink vending machines in their lobbies. Phar-Mor, for example, likes to make a strong price/value statement by pricing its vended single-serve soft drinks at 35 or 45 cents. That's usually 20 to 30 cents less than competitive vending machines, and Phar-Mor customers are usually impressed at the savings.
- More drug chains are also using one-, two- or three-door coolers in their stores. The coolers contribute substantially to a profitable beverage department. The single-serve soft drinks and juices in the coolers usually have margins ranging from 50 percent to 100 percent.
- Drug chains are also expanding or adding pet food departments. Buyers tell *Drug Store News*' sister publication, *Food Merchandising*, that sales of their high margin pet food accessories double and sometimes triple when accessories are merchandised adjacent to foods. Pet foods on ad also help make the department more visible and build traffic.
- Bottled water is now the fastest growth segment in beverages, and many chains are responding to the opportunity by adding bottled waters to their soft drink and juice departments. Perrier, the category's leading brand, is in many chains today, but gallon jugs and seltzers are just starting to come into chains now, and buyers say their growth is phenomenal.

At Dunaway Drug in Marietta, Ga., Jim Muir, buyer for foods and groceries, reports that Coke and Pepsi sell so well that he features one or the other in every Dunaway ad.

Candy also works very well as a traffic builder for Dunaway, and Muir says he's had exceptional success with Mounds, Almond Joy, Snickers, Tootsie Rolls, Nestlés and Pay Day.

At Eckerd Drug in Florida, senior convenience food buyer Pete Agostino has been very successful with Gaterade and with bottled water, particularly gallon jugs.

At Keltsch Drug in Indiana, grocery buyer Robert Fahrenbach also has had tremendous success with both bottled waters and seltzers which have been in his stores now for about a year.

Fahrenbach says the growth on the two brands of seltzers he stocks, New York Seltzer and Chicago Seltzer, has been "phenomenal."

At Harco Drug in Alabama, grocery buyer Andy Horn says he's been very successful with regional brands of cookies.

"The price points on the regional brands are much lower than the national brands," he points out.

"It's hard for a chain my size to promote Oreos and be competitive, but I can do the regional lines at two for 88 cents, make money and draw a nice base of customers."

In the last couple of years, Drug Emporium has gone very heavily into foods in some markets, especially the northeast and Atlanta.

Bob Lyons, Drug Emporium's regional vp for the northeast, says Drug Emporium uses groceries "to get the impulse sales we'd otherwise miss."

The deep discount chains, because of the foot traffic they generate, do more with groceries than do other types of drug stores, including the West Coast-based super drug stores like Longs and Pay Less.

A chain like Phar-Mor or Drug Emporium, for example, often buys truckload quantities for snacks and other groceries.

They'll put up hundreds of cases in massive floor displays and they'll turn these displays as often as twice a month.

"It's great for our customers," says a source for Phar-Mor. "We put as much out as possible at an unbeatable price, and then we just wait for it to sell through. Snacks especially turn fast in our stores. We can turn hundreds of cases in one or two weeks."

In the last few years, grocery buyers have become very adept at what they call "maximizing" the category.

The goal today is to make money on groceries, not just use them as traffic builders.

Space allocations increase

In the last few years, chains have expanded their allocations of permanent space for the high-consumption, high-impulse items like candies, snacks and soft drinks.

Many chains like Eckerds, Perry and Peoples try to create snack sections or snack departments, and many of these departments are adjacent to coolers where chains are now merchandising high-margin, single-serve soft drinks and juices.

Chains today have also learned that it's important to make the department highly visible in their stores, and to do that, they have given it plenty of up-front space near entrances and checkouts, and they have also planogramed permanent end cap or other off-shelf display space for groceries so they can capture more impulse sales of higher margin unadvertised groceries.

Walgreen's, for example, has been particularly successful exploiting the candy and soft drink categories, and this is primarily because they give these departments plenty of off-shelf exposure, promoting them year round, not just seasonally.

Buyers also say that it's very important to make the grocery-beverage category convenient for customers to shop. Sources for Walgreen's, Eckerd's, Perry, and others all describe their grocery programs as geared to the convenience shopper.

Their accessibility to shoppers yields incremental sales for these chains, buyers say, and their presence in the stores brings shoppers back into the stores on a more frequent basis.

Just about every major chain today uses the grocery category as a traffic builder and more chains are also adding or expanding 'snack shoppes' and mini-convenience food departments.

TRENDS

Hot categories: Sun care

Many chains prefer to use endcaps to highlight just the best selling brands and sizes of suncare. This endcap in a Kerr Drug store features a selection of the better-known higher-SPF brands, the best-selling tanning lines and one of the best-selling sun protection brands designed for children.

High SPFs cause sun care sales to shine on chains

The sun care category is showing strong growth again this year.

Some buyers contacted by *Drug Store News* say the segment is up as much as 30 percent in certain stores.

In *Drug Store News*' Hot Catagories Study, 54 percent of all buyers polled picked sun care as one of the 10 hottest categories for 1989. They estimated sun care sales will be up by an average of 15 percent.

The strongest growth is being generated by the high sun protection factor brands. But surges are also showing up in specialized SPF subcategories, such as sun protection for children, for workers and sports enthusiasts exposed to excessive periods of sunlight, and even sun protection for highly vulnerable features like faces and lips.

In Detroit, where sun protection is not normally thought of as a year-round necessity, Perry Drug's assistant merchandising vp Steve Lund reports that chainwide sales last year were up 30 percent, and he thinks he has a shot of doing just as well with the category in 1989.

Although Lund cautions that retailers can never be totally sure what accounts for such growth, he thinks it's the result of some merchandising and advertising changes made by Perry, combined with the public's growing concerns about sun exposure.

About a year ago, Perry Drug identified sun care as an area of opportunity. Lund said the company realized that with one exception, the local competition was not doing anything special with the category, either with merchandising or advertising. So Perry began to pay a lot more attention to the way they presented sun care.

"In the past," said Lund, "we had merchandised the category just on ends. We usually had two ends and a mini planogram, but we realized that no matter how well we did, we still had two separate homes for sun care and we felt we were losing some sales oportunities.

"So for the peak season, we moved sun care into our promotional aisles, and we gave it a straight 8-foot run of space."

In the off-peak season, which has just started for Perry, the category gets reduced to 4 feet in the skin care department.

When Perry increased the peak season space, Lund says tney also broadened their mix, adding additional SKUs from the major brands like Coppertone, Hawaiian Tropic and Bain de Soleil, and also added new lines.

They also expanded their mix of depilatories and skin creams and made them more accessible to sun care buyers.

Lund also expanded the better niche selling brands like Baby Sun Down, Water Babies and Baby Faces.

As their merchandising became more aggressive, so did their advertising. Instead of just advertising price, Lund began creating consumer events including a Memorial Day major event that linked the J & J Sun Down line to Jheri Redding's Salon Tropics hair care line.

As part of the event, Perry and the two participating manufacturers gave away a cruise to Hawaii, as well as wind surfers, and other sweepstake prizes.

Lund says the event was extremely successful, and Perry followed it up with a fourth of July ad that featured all the major brands at good competitive prices.

In 1989, Lund plans to continue to be aggressive with the category. The peak season space will be expanded another 4 feet to a total of 12 feet. Lund says he will be adding more new lines, and is currently considering J & J's new Pizbuen line from Switzerland, which is a little more upscale in price and image and which would probably be competitive with Bain de Soleil.

He's also thinking of adding the new P & G sun screen line as well as Chesebrough's new Vaseline Intensive Care sun care line.

He's also going to take the top shelf in the sun care section and reserve it for point-of-purchase displays including header cards.

"When you have an in-line section," he says, "you miss the pop materials, so we'll devote the top shelf to pre-packs. This way we'll have all that color that we hope will draw people to the department.

In Pleasant Hill, Calif., Katie Ahl, who buys sun care for Drug Barn, says she still sees the strongest growth coming from the high SPF brands of 15 and above. She thinks that trend will continue in 1989, especially in warmer states like California.

"There's also a lot of new and better items being introduced and that should continue to fuel growth," said Ahl. "I think the new Vaseline Intensive Care sun care line should be good and Neutrogena might have a strong appeal with the way they plan to market their new sunblock."

Instead of stressing the SPF as everyone else is right now, Neutrogena is emphasizing a point of difference for its new PABA-free sunblock. Neutrogena says it's formulated to give good protection but also won't irritate the skin or rub off.

In upstate New York and Vermont, Kinney Drug reports that most of its growth is coming from the higher sun protection factors, the 20s and 30s.

Kinney keeps an extensive year-round sun care department in stores located near ski resorts and they have a handful of the major brands in non-ski resort stores.

Buyer Robert Burtis says the chain isn't doing anything special to generate growth. "It's a growth area because people are so sensitive to the dangers of sun damage these days. It's especially strong in country areas where people spend more time in the sun and also in small towns, where if someone has a medical problem caused by the sun, the word goes around and everyone is aware of it."

Kinney's best sellers this year have been the Coppertone brands. Ski & Sea has also done well and so has Banana Boat. Brands aimed at babies have done well, including J & J's new Baby Sun Down, Pre Sun For Kids, Water Babies and Baby Faces.

DRUG STORE NEWS

Top 10 Category Stats:

54% of the retail drug merchants surveyed by Drug Store News said sun care would be one of the hottest merchandising categories in 1989, with sales increasing 15.2%.

Source: *Drug Store News* survey

Drug chain sun care facts

More drug chains today are creating permanent sun care departments. Chains like Eckerd, Perry and Walgreens realize that consumers aren't limiting their sun protection to the beach or ski slopes. They're using them whenever they're going to be outdoors for any extended period of time.

High SPF sun care brands still show the strongest segment growth, up as much as 20 percent in many chains, but buyers say they are starting to see most of the growth clustered around the SPFs in the 15 to 20 range. It's possible consumers are beginning to realize that SPFs of 25 and higher may not be necessary. Some consumers may also be suffering from irritation or allergic reactions when they try to use the highest SPFs for extended periods of time.

Some chains are starting to merchandise sun care items in their skin care departments because buyers say they think the line between sun care and skin care is starting to fade.

Sun protection factors are also turning up in the cosmetics department in brands like Max Factor's Sun Smart line with an SPF of 6, Physician's Formula's Sun Shield for under makeup wear, and Almay's face makeup with an SPF of 8. Buyers say the movement on both lines is just average or fair. But face makeup with SPF protection is still an undeveloped market, and sales could surge if manufacturers decide on aggressive marketing.

Lipscreens marketed as a niche within sun care are doing exceptionally well, buyers say, and so are sun care products marketed for children and babies.

Buyers say another niche product, Aloe Creme's Alo-Sun Top Kote for bald men is also doing well. One source said Top Kote has to be merchandised in a display to be effective, however, because it's not a well known product and it depends heavily on impulse buying to generate sales.

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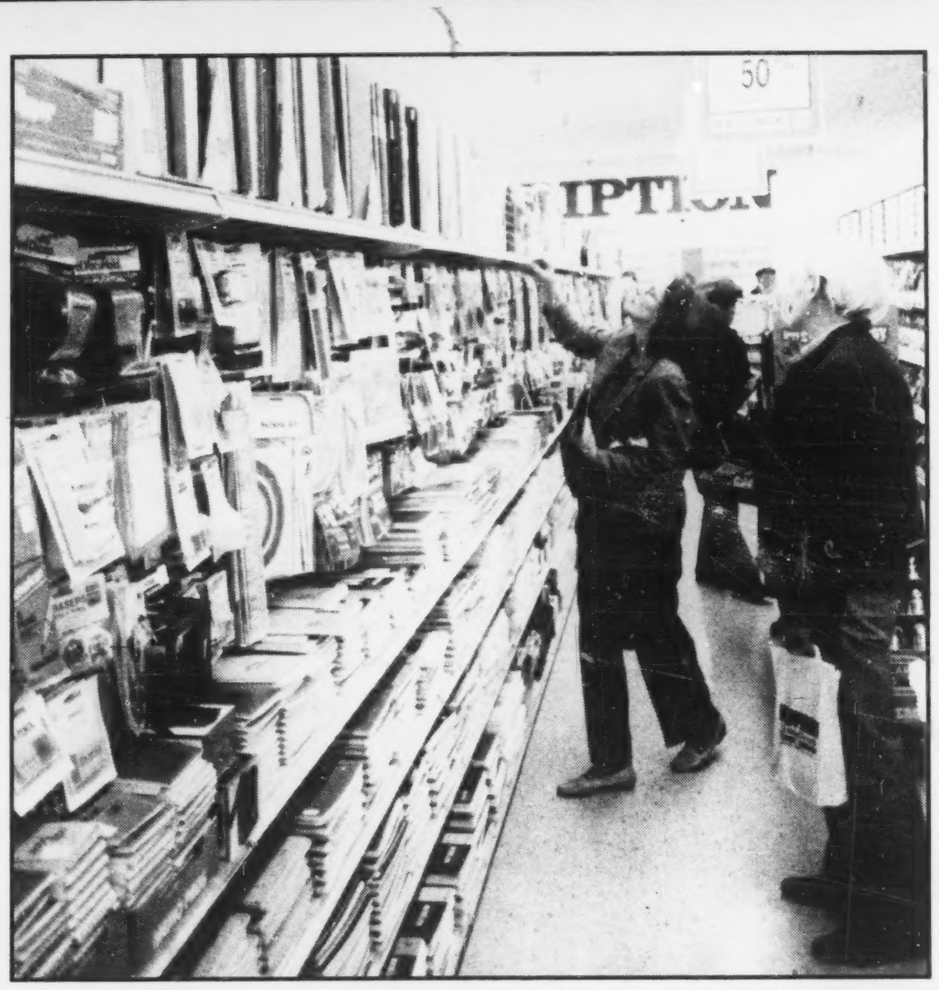
TRENDS

Hot categories: Home office supplies

Broad assortments that satisfy the varied needs of home office consumers are a key strategy used by Peoples and other drug chains who want to make a strong statement and attract replenishment business.



Heavy discounts on branded stationery lend impact to the department at Maxidrug, the deep discounter in Massachusetts that is distributor-serviced.

Buyers say home office supplies still hot despite competition

Home office supplies continue to produce well for drug stores despite competition from discount and specialty home office stores. And chain drug buyers responding to *Drug Store News*' Hot Categories Study predicted that the category will again be among the 10 hottest in 1989. They foresee a 17 percent sales growth in home office supplies this year.

Convenience seems to be the edge drug stores will continue to have over other retail segnments which may be able to offer lower prices or greater selections.

In metropolitan markets, university markets and areas which have a high concentration of industry, products like business stationery, envelopes, filing cabinets and computer paper are selling well and are being given more space in drug stores.

Leroy Pharmacies, a New York chain in competition with any number of home office suppliers, continues to do well with its home office section despite the rivalry, according to Stanley Lepelstat, president.

"We first tried upgrading the department to more expensive merchandise," said Lepelstat. "That didn't work. Then we moved toward expanding our home office area, which is doing very well."

Leroy's latest addition is computer paper, which Lepelstat said is moving well. Lepelstat credits the success of the product to the popularity of home computers in the metropolitan area.

A profusion of personal computers for home use is not limited to the New York metropolitan area. Marvin Gresham, president of Gresham Drugs, Inc., a six-store chain based in Gainsville, Fla., reports that computer paper is selling well at the Gresham stores.

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GLOBAL EXECUTIVE SWIVEL CHAIR
(Assorted Colors). 55"(H)x27"(W)x24"(D). Low ba

Staples, the specialty off-pricer of office supplies, is a tough competitor, especially in suburban markets, where home office customers are a prized target of drug chains.

DRUG STORE NEWS

Top 10 Category Stats:

54% of the retail drug merchants surveyed by Drug Store News said home office supplies would be one of the hottest merchandising categories in 1989, with sales increasing 16.8%.

Source: *Drug Store News* survey

The chain expanded its selection of home office equipment to 40 feet, broadening the selection and varying price points. The store also carries discs and computer printer ribbon.

The chain takes a good markup on the items, according to Gresham, but is still able to sell the products for prices well under computer stores. Gresham sells 20-pound bond computer paper in a box of 2,500 sheets for $25.95 regularly and $22.95 at sale price.

The stores move 100 cases of the computer paper a month. Gresham attributes the popularity of computer products to the chain's location in a university town and the fact that store hours, 9 a.m. to 9 p.m., exceed the hours of local computer and office supply stores.

Kerr, based in North Carolina, has greatly expanded its home office supply area to capitalize on the industrial and research complex areas located in the state.

The chain has added the Mead Cambridge line of products and more SKUs in the Rubbermaid home office line this year.

"We've extended lines we already carry and tried to upgrade our department to give consumers a better choice," said buyer Dan McAllister. The chain is now carrying higher ticket portfolios, plan books and folios.

Bartell Drug Co., a chain in Seattle, has been holding its own against specialty stores in the market, according to Mary Loeser, a buyer for the chain.

"We are highly competitive with office supply stores," said Loeser. "In one location, we are right next to an office store and we take a lot of business away from them. We are offering convenience right around the corner, something that the other stores can't offer."

To keep that edge, Bartell's has expanded the department. Loeser added the Office Buddy line of organizers and the H&R Block line of record-keeping books.

Loeser said that tax time is a particularly good time for adding machine tape, index cards and file folders. The department, she said, keys in on certain items and promotes them in their best seasons.

Packaging and mailing products are another area which is becoming popular in drug stores, and Loeser said that the mailing and packaging area has continued to do well in the stores.

Like Kerr, Bartell's has also introduced higher ticket portfolios and briefcases this year. Loeser added the Hazel line, but said it was too early to tell how well the products did for the holidays.

"The first year is always an experiment," she said. "It's really too early to tell how well those products perform. It takes a while for customers to get used to seeing these kinds of items in the store. Once they know that they can purchase these items at Bartell's, they may come here first next year."

More Americans doing business at home

Statistics show that Americans are spending more time working at home or are setting up satellite home offices. Link Resources Corp., a Manhattan-based market research firm, reports that 24 million Americans put in at least one full day of work a week at home. The firm also reports that that number will grow to 30.8 million by 1992.

A spokesperson from Link said that 760,000 copier units have been installed for home use and 5.9 million personal computers are being used for home office purposes.

TRENDS

Hot categories: Books

Chains capitalizing on future growth of paperback sales

In the age of the "couch potato," many drug store consumers are opting for settling down with a good book rather than a sitcom or miniseries.

Paperback book sales at drug chains were cited in a *Drug Store News* study as one of the 10 hottest categories for 1989. Buyers and merchandisers who responded to the survey forecast a whopping 24 percent growth for this coming year.

Ron Ransdell, vp store operations for Thrifty-White, saw a 10 percent to 15 percent sales hike in the paperback book department. "I've noticed a comeback," he said, "and it's about time. People are willing to pay $4.95 for a paperbook today. That's a price that many would not have paid three or four years ago. These are not dime-store novels anymore."

Consumer acceptance of higher price points for paperbacks is one reason for the projected growth of book sales in drug stores, where paperbacks form the bulk of sales.

The drug store market is an important one for publishers. A recent study conducted by Coopers & Lybrand for the Book Industry Study Group (BISG) shows that drug stores ranked third in book sales among non-bookstore retailers behind mass merchandisers/department stores and grocery outlets, and account for 3 percent of the total retail book market. Grocery stores, in contrast, capture 8 percent to 9 percent of retail book sales.

Associated with drug stores

Market research described in the survey indicated that book purchasers associate books with drug stores, so books are carried to satisfy customers' expectations of finding them there. The books are perceived as a convenience to shoppers and this enhances retailers' one-stop shopping image.

Location of the department is key to sales growth, according to most drug retailers. Maryellen Kari, spokesperson at Walgreens, said the chain offers a full assortment of paperbacks near the magazine section, both of which are located near the front end for high traffic potential.

Ransdell of Thrifty-White said the 12-foot department is placed "as close to the front door as possible. We remodeled some of our stores and put the books in the back. The closer we moved them to the front, the more they moved."

Some chains choose to merchandise books near the promotional section. Dennis Wozniak, vp purchasing for Arbor, said, "There is a potential for growth in the paperback book category contingent on the types of displays utilized."

The chain relies on a free-standing floor display as well as a mainline display to lure the bookworms in. The floor display, holding the current top 10 titles, is placed in the promotional department. The mainline rack, with 14 linear feet, is found across from the pharmacy department, to capture the interest of customers waiting for prescriptions.

Walgreens, Elk Grove Village, Ill., lists the 15 best-selling paperbacks on top of gondola to draw attention (top), and displays books and magazines near the pharmacy waiting area for impulse sales (bottom).

The primary book suppliers for drug stores are independent distributors, according to the BISG study. Indeed, 10 percent to 20 percent of independent distributors' books sales are accounted for by drug stores.

'There is a potential for growth in the paperback book category contingent on the types of displays utilized.'

Walgreens' Kari said the chain buys its books from national magazine distributors, which vary by geographic region. The department is serviced by either the distributor or the chain, depending on the distributor used in a particular area.

Thrifty-White's book department is serviced by five magazine vendors, which all offer a service program to stock the department. The chain relies on the vendors for 95 percent of the book selections, based on warehouse movement reports and sales figures. Five percent of the selection process is attributed to buyers' input.

Bill Eames, president of Bill's Drugs in California, said the chain relies on its own distribution system for paperback books, with three store personnel servicing the department. Titles are selected based on a list sent to the chain from its source of supply. Eames said this process will continue until the chain sets up a scanning system for the department. The new system will allow the chain to select titles and quantities based on actual movement of particular types of books sold at Bill's.

Eames has seen a "significant" increase in category sales and attributes this to a well-stocked department. The chain also runs a traffic-building coupon promotion for the 48-foot department that encompasses pocket paperbacks. According to Eames, the coupon promotion, which offers 50 cents off any paperback title, is run every five to six weeks in the chain's weekly circulars.

At Arbor, Wozniak will take hot topical books and promote them in-store as well as in its circulars. "The Iacocca paperback was very topical reading, especially here in Michigan, when it first came out. We used a special display as well as circular ads to promote it."

Holiday and theme promotions are popular at the chains. Bill's Drugs sets up outposts in the promotional aisles during Christmas and the summer months to cash in on consumer's gift buying and vacation reading needs. "We also try to put them in the Valentine aisle, for gift-giving," Eames said. Ransdell at Thrifty-White said at holiday times "a Stephen King feature does well."

Price may also be a deciding factor in the sale of paperback books. Arbor hardcover books are priced at discount, while paperbacks are sold at the manufacturer's list price. At Bill's a 10 percent discount is offered on every pocket-sized paperback, with the exception of books on the *New York Times* Bestseller List, which carry a 25 percent discount. Thrifty-White runs advertising promotions at 20 percent off list price, but does not offer everyday discounts.

DRUG STORE NEWS

Top 10 Category Stats:

17% of the retail drug merchants surveyed by Drug Store News said books would be one of the hottest merchandising categories in 1989, with sales increasing 24.0%.

Source: *Drug Store News* survey

Retail outlets and book department margins

	Book department typical average margin (%)	Overall store gross margin (%)
Airport shops	40-45	N/A
Auto supply	35-40	28.5
Drug stores	20-40	30.6
Gift stores	40-45	34.2
Home centers	35-40	28.1
Mass merchandisers	22-26	26.8
Pet stores	20-35	N/A
Supermarkets	25-40	20.8
Toy stores	40-50	33.6

Source: *"The Sale of Books Through Non-Bookstore Retailers,"* prepared by Coopers & Lybrand for the Book Industry Study Group.

Kerr revamping book section

Kerr Drugs has added 16 feet of deep discount books to its average 16-foot to 20-foot paperback book section within the past 18 to 24 months. The addition has contributed to a 15 percent to 20 percent sales growth in the category over last year's figures.

"The deep discount books are sold on a separate configuration—a wire rack supplied by the supplier," William Baxley, vp-marketing, said. The assortment consists of hardbound, paperback and children's books, with retail prices ranging from 29 cents to $19.99. The amount of the discount varies by product category, and the size of the category is adjusted to the sales in each store.

Promotions at the chain are conducted on a quarterly basis, such as advertising children's books and remainder paperbacks at a two-for-$1.00 sale price. The category as a whole averages four to six turns per year.

Paperback books, which average a total of 32 feet in most Kerr stores, are positioned close to the front of the store, near the promotional aisle and in close proximity to cosmetics.

TRENDS

Hot categories: Greeting cards

Placement, pricing fuels card dept. growth

Growth in unit sales coupled with a 7 to 8 percent price hike by major greeting card companies fired chain drug card sales in 1988. New strategies in placement, display and assortment added fuel to the flames.

Retailers look for more of the same in 1989. In *Drug Store News*' Hot Categories Study, greeting cards were named as one of the 10 hottest categories for the coming year. Buyers and merchandisers who responded to the survey predicted 15 percent growth in the category.

That would follow a hot 1988, when such strategies as promoting and cross-merchandising, helped spark store traffic and unit sales, according to drug chain merchandisers.

Pay Less NW and SuperD were among chains that added linear feet. In recent years, other chains have found they can boost category sales per square-foot by adding footage, and enhancing assortment.

Pay Less, which has American Greetings, Ambassador and Gibson, is adding footage, after tests showed space expansion boosts per-square-foot sales. The average now is 144 linear feet, compared with 112 to 140 before, said merchandiser Pat Pemberton.

Pay Less and Peoples Drugs are among chains trying Gibson's new "power panels" and "shadow boxes," which allow for the locating of selected lines away from the card department.

Breaking card selections away from the department on these portable fixtures for cross merchandising with appropriate products promises to increase sales.

Yet they could also dampen sales by subtracting from the selection within the department, where most shoppers look for their cards, one chain drug buyer observed.

In larger stores which have the space, SuperD of Memphis has added 8 feet through additional endcaps and spinner racks to its typical 60-foot to 72-foot selections, said Bob Billings, executive vp-marketing.

The chain has also stopped using a single long gondola format with U-shaped low-profile endcaps, and has returned to a valley configuration, with spinner racks, which displays more merchandise. The change has boosted sales, Billings said.

Vendors' fixture experiments have paid off in some cases. Snyder's Drugs in Minneapolis is among the chains that have fared well with Ambassador's new power fixture and ColorScan coding system for consumers. Creating a waterfall effect from eye level to ankle, the fixture allows a strong display, and shows 20 percent more of each card. ColorScan uses colored pocket identifiers to code categories.

"From a consumer standpoint, it's a tremendous improvement in categorizing the product," said Lance Clark, Snyder's merchandise manager.

Snyder's, whose stores are split between Ambassador and American Greetings, has Ambassador's new system in two stores so far.

Clark said increased unit movement, rather than price hikes, was most responsible for last year's growth in greeting cards, which Snyder's locates front-and-center next to the checkout.

While the chain has typically advertised cards for grand openings, in which it gives a free postage stamp with a card purchase, this Easter season it will offer a discount on a plush item with purchase from the greeting card department, Clark said.

The card industry as a whole posted brisk unit growth, in line with its historical 2 percent to 4 percent growth average. Unit sales went to 7.3 billion units, or 2 percent to 3 percent above the previous year, according to E. Gray Glass III, an analyst with Prudential Bache Securities.

Thank the typical card purchaser, a woman who impulsively buys several cards for present and future use on a single visit.

Retailers saw the price hike as a boon because the higher price points didn't turn off consumers in a category that isn't very price-sensitive.

Somewhat ironically, alternative cards made gains—but it was through the lines of the traditional vendors. Lines introduced in the last few years by Ambassador, American and Gibson have fared well, according to some drug chain buyers.

The smaller so-called alternative card companies—with about 20 to 30 companies in the $5 million to $100 million range—accounted for about 5 percent of card sales in 1988. That's a dip from their peak of a few years ago of a 7.5 percent to 10 percent market share, said Glass.

Breaking card selections away from the department on portable fixtures, for cross merchandising, promises to increase sales.

But the major vendors' alternative lines prospered. They've captured about 5 percent of the market.

Alternative cards thus held their share of about 10 percent of total greeting card sales, Glass said.

Wellby Drugs of Maine displayed one of the most extensive alternative card selections. Its racetrack stores contain lines from at least eight alternative card vendors, including Recycled Paper, Paramount, Sunrise, Moodz, and California Dreamers, which supplement the traditional Ambassador assortment.

Located in the rear-right corner, the department is advertised by a high corner display as well as Ambassador photos of cards and accessories on the wall.

Harco is another chain that has moved its card department—which ranges from 80 feet to 140 feet—to prime, front locations.

The two-valley greeting card department is located at the front of the store, two aisles from the entrance, in Walgreens Elk Grove Village store, which has 13,300 square feet of selling space.

Phar-Mor boasts a 50 percent discount on Gibson's Buzza promotional line. Disney cards are featured in this Orlando, Fla. store to cater to visitors to nearby Walt Disney World and Epcot Center.

Revco eyes card strategy

The card department is in flux at Revco.

Though stores have typically featured the American Greetings set at front-of-store locations, the card strategy could change in a new prototype Revco plans to launch soon, according to Jeff Doshan, vp and general merchandise manager.

Recently, linear footage has been increased to 90 feet in some new and relocated stores, from a 72-foot to 76-foot average.

What has freed up space, according to Doshan, has been a cutback in general merchandise as Revco rethinks its merchandise mix to emphasize core drug store categories.

"We do view [cards] as a growth category, on which we're focusing a lot of attention," says Doshan.

The chain recently returned to discounting cards on an everyday basis, countering previous management's preference for full retail pricing. The move—with cards at 10 percent off—presents the consistent discount image Revco wants.

The sales loss from the discounting has been more than offset by a reassorted mix, which has increased the average sale, Doshan said.

DRUG STORE NEWS

Top 10 Category Stats:

21% of the retail drug merchants surveyed by Drug Store News said greeting cards would be one of the hottest merchandising categories in 1989, with sales increasing 14.6%.

Source: *Drug Store News* survey

Hot categories: Diagnostic test kits

TRENDS

Although blood glucose monitors, like the ones offered here by Pay Less, are high ticket items, they are still popular with diabetic patients since they allow them to monitor their conditions more closely.

Walgreens offers a wide range of products for diabetics. Diabetic customers, say retailers, spend a higher average per year in drug stores than most other drug store customers.

Improved technology drives diagnostic unit market

Home testing units are hot. So hot, that when Revco ran a full-page ad in *USA Today* with a mail order coupon for blood glucose monitors, the chain received nearly 200 responses from outside of Revco's trading area, according to Jeff Doshan, vp and general merchandise manager.

DRUG STORE NEWS
Top 10 Category Stats:

46% of the retail drug merchants surveyed by Drug Store News said diagnostic test kits would be one of the hottest merchandising categories in 1989, with sales increasing 20.8%.

Source: *Drug Store News* survey

The response is an illustration of why the category was rated as one of the top 10 categories for 1989 in a buyers survey conducted by *Drug Store News*.

With health care costs soaring, home monitoring for routine tests has become one way to curtail expensive doctor visits. In addition, improved technology and ease of use have given these home testing products wider consumer acceptance.

The Naisbitt Group, a Washington-based market research firm, estimates the retail market for home testing products will reach $1.4 billion by 1992. Last year consumers spent $60 million on these products in drug stores alone, according to A.C. Nielsen, 28 percent over last year's total.

The products, drug retailers agree, mean profit. A wide assortment plus the availability of informed pharmacists are musts for pharmacies positioning themselves as wellness and health centers, according to Michael Bukach, director of pharmacy for Medic Discount Drug Stores, a 20-store chain based in Cleveland. The chain plans to double the four feet it currently allots to its wellness end section in the first quarter of this year.

Revco's Doshan said that the chain is making an aggressive move in the home testing market. "The image of the kits fits well with the Revco image," he said. "We are bullish over the category overall and are working to planogram more space for the category next spring."

The chain will expand its 4-foot to 8-foot section of diabetic products to 12-16 feet per store to include a greater selection and greater variety of price points. "We try to carry all of the accessories in the diabetic section," said Doshan. "That's where you do your repeat business and make your margins."

"We want to devote a good section to diabetic products," said Doshan. "These are loyal customers who often have other health related problems. The average amount spent by diabetics in a drug store is much higher than any other population shopping a drug store."

Doshan said that even though the typical diabetic customer will use a product regardless of the high ticket of many of the items, consumers are still looking for the best values and the products that are easiest to use. Revco, he said, does not use the products as loss leaders but "doesn't take a long mark on them."

Snyder's, a 64-store chain based in Minnesota, promotes its 8-foot home testing section every month in circulars as well, according to Bill Vidmar, vp of marketing for the chain. The chain runs an additional special diabetic section in its circulars every two months, promoting that segment of the category, which Snyder's, like most chains, keeps separate from pregnancy and ovulation kits.

Like Doshan, Vidmar agrees that most products are not extremely price sensitive, although he said that customers are looking for the best buys and are seeking rebate offers which many manufacturers have instituted.

"Consumers are looking for the latest in technology and the easiest test to perform," said Vidmar. "In the area of blood glucose monitors, we are dealing with a very sophisticated customer."

Most retailers said the category as a whole was consumer-driven. "Consumers ask for testing kits. We have been running cholesterol tests and consumers want to know where they can purchase devices so that they can monitor their cholesterol levels at home," said Bukach of Medic. "I've even had consumers ask about the availability of devices that would tell them the salt content of foods."

New devices which make it easier to use the products have made pregnancy detection kits grow in sales. Most retailers place these items in the family planning section, while keeping blood glucose monitors, urine test strip, blood pressure devices and even thermomethers in one "wellness" section nearer to the pharmacy for image as well as security reasons.

Pregnancy and ovulation kits are doing well at Revco, according to Doshan, yet their growth is not as great as diabetic testing products. Again, most retailers have cited good performance of products based on ease of use. Steve Lund, assistant vp of merchandising at Perry Drug mentioned Whitehall Laboratories' new Clearblue Easy as a good performer for that reason. The new test is promoted as being 99 percent accurate and requiring only one step for results. Fact Plus, another new introduction to the market, features a plus or minus sign to detect pregnancy.

Vidmar said that Snyder's does not promote pregnancy tests, since the products are believed to be purchased on an as-needed basis.

Not all testing kits do well, though. Lund said that Perry carried colo/rectal testing kits, but has since phased them out since they "simply did not sell." The items did not do well at Snyder's either, according to Vidmar. "I don't think there is a great need for those products," he said. Lund said that products for which consumers had a distinct need—for example, AIDS tests—would always do well at the retail level.

Consumer sophistication good sign for market

Industry analysts believe the market for diagnostic testing kits will continue to grow as consumers become more aware and sophisticated about health care.

Consumers are increasingly monitoring their own health with a number of new products now available to them, said a study by Find/SVP, a New-York based market research firm.

The Naisbitt Group, a Washington-based market research firm, cites convenience and lowered costs to consumers as two reasons for the boom in the category. Other reasons, according to the firm, are consumers' increased concern with their well-being and an increased access to health and medical data, a trend which the firm calls "patient power."

Advances in technology are also driving growth, according to the Naisbitt Group. Improvements in electronics have lowered the cost of durable medical products, like blood glucose monitors, to consumers.

Increased use of monoclonal antibodies, specific cells which can recognize and attach themselves to target molecules, has enabled mass-produced disposable tests to be more accurate.

Consumers are responding to the confidentiality and convenience of testing in their own homes. At-home use of pregnancy tests allow women to detect pregnancy early so that they can improve pre-natal care.

Diabetic patients have also benefitted from the opportunity to closely monitor blood glucose levels at home, granting them greater control of their disease.

A wide assortment [of home testing units] plus the availability of informed pharmacists are musts for pharmacies positioning themselves as wellness and health centers.

Specialty items give new life to babycare in '89

Diapers for boys and girls and premature babies, along with infant accessories, are bringing new life to babycare in 1989.

Merchants surveyed by *Drug Store News* voted babycare one of the hottest categories for this year because they recognize working mothers need to shop for family needs quickly and in convenient outlets. That translates into extra traffic and volume for drug stores, which generally stock complete assortments of diapers, formulas, foods, toys, bottles and similar items.

Diapers are the hub of the category, since they require constant replenishment. The challenge to drug store retailers is to stay well-stocked in these space-hungry packages, and match supermarket prices.

DRUG STORE NEWS

Top 10 Category Stats:

29% of the retail drug merchants surveyed by Drug Store News said baby care would be one of the hottest merchandising categories in 1989, with sales increasing 11.7%.

Source: *Drug Store News* survey

Product proliferation

Since 1984, when Procter & Gamble introduced Ultra Pampers, diapers have become more absorbent and less bulky. Specialized diapers, like Pampers diapers for premature babies, have sold well at Dunaway Drugs, said Harmon Koeltz, baby care buyer. "We are one of the few chains in the area to offer them," he said. They sell particularly well in stores near hospitals.

One diaper introduction is Luvs Deluxe for Girls and Luvs Deluxe for Boys, which touts absorbent layers on different parts of the diaper to correspond to the wet areas of each gender.

Consumers are not responding to the Luvs diapers as well as Harco thought they would, said Charles Reinhart, director of merchandising, noting an overflow of products in the marketplace already.

"Consumers must be educated in the use of these new diapers," said Brian Zappala, H&BA buyer for Wellby. "And they will be, since this (gender) concept will be on all the shelves soon," meaning all manufacturers will copy it.

K&B's Steve Ferguson, vp merchandising director, said that when the ads hit the television, Luvs Deluxe started to move. "The consumer is curious about them, and should not be confused," he said. "The packaging is well marked."

Retailers are turning to baby accessories and toiletries (baby lotions, oils and shampoos) as profit makers. Essentials like layette supplies, baby apparel and small toys contributed to a 10 percent sales growth in the category, said Reinhart at Harco.

Harco allocates 48 feet to baby care at the front of the store near pharmacy, including 12 feet for baby accessories and 8 feet for infant clothing. "These impulse items have seen the growth," Reinhart said.

Reinhart said Harco makes an effort to promote the category vigorously once a year during Baby Week. Each fall, a special flier inside the chain-wide circular promotes baby products.

While the category overall is growing, at K&B baby care sales have been affected by competition from discounters like Wal-Mart, Zayre, Toys "R" Us and K mart.

A freestanding display of wipes, near baby H&BA section, is promoted by price signage at deep discounter Drug Emporium in Orlando.

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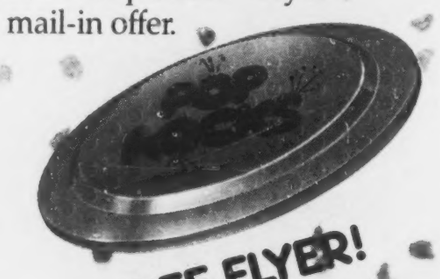

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Promotions and location charge chain battery sales

In the non-stop running battle with food and mass merchandise chains for battery sales, drug chains have relentlessly promoted and kept batteries in prime traffic areas to generate impulse purchases.

Chain merchandisers report strong sales growth, as the alkaline segment has paced category sales, with a 12-percent annual unit growth rate in the U.S. Moreover, buyers say batteries can yield a margin of up to 30 percent, even though they must keep prices competitive.

Deals such as off-invoice allowances have helped keep costs down, as vendors fiercely elbow for new business.

In voting batteries as one of the top ten categories for 1989 in *Drug Store News'* Hot Categories Study, buyers said they expect growth of 17.6 percent this year.

Peterson Drug, of Oakfield, N. Y., plans to add the new Duracell C and D four-packs to its regular promotion schedule.

"We do a tremendous job with Duracell," says Paul Lippold, Peterson's warehouse manager and buyer. The 17-store chain also carries Kodak. The brand (particularly the 9-volt lithium battery, most often bought for use in toys and fire alarms), does well when promoted, Lippold noted.

Lippold said the stores have posted 10- to 15-percent annual sales growth.

In its monthly circulars (with two in December), Peterson has featured the best-selling Duracell AA four and eight packs, two-pack Cs and Ds, and 9-volt singles.

Prices must be competitive with Fay's, CVS and Rite Aid. He promotes a C or D two-pack at $1.69 to $1.79, and a four-pack at $1.99 to $2.19.

Batteries are cross-merchandised with blank tapes on this mini-gondola in a Walgreens in Elk Grove Village outside Chicago. A buy-four-get-two-free Energizer six-pack is advertised for $3.29.

Imported plastic and metal 6 3/4 inch flashlights from 99 cents to $1.99 are featured in a Ray-O-Vac display which fronts a horizontal center aisle at LaVerdiere's Drug's Gardiner, Me. store. A spin rack of Energizers is also in the center aisle.

DRUG STORE NEWS

Top 10 Category Stats:

17% of the retail drug merchants surveyed by Drug Store News said batteries would be one of the hottest merchandising categories in 1989, with sales increasing 17.5%.

Source: *Drug Store News* survey

Add in the $1 on-pack rebate and Peterson is offering a 69-cent to 79-cent price point.

Perry Drugs, in Michigan—which added Kodak to its Eveready and Duracell assortment in June—promotes batteries almost every week. The segment has seen "tremendous dollar growth," a chain spokesman said.

Such growth was fueled by adding one-fourth to one-third more footage in most stores, and moving from free-standing endcap displays to 8- to 12-foot in-line departments .

Although competition with such chains as Target, Arbor and F&M forces Perry to hold down its prices, it still can make a 30- to 33-percent margin on batteries on promotion, he said.

The chain recently promoted a AA four-pack at $2.09, down from $2.99 everyday price, and a C, D, or 9-volt, regularly $2.29, at $1.69 to $1.79.

"I think for the last four or five years, batteries have seen continued growth," observed May's Drugs' executive vp Russ Smith. Smith said the Tulsa, Oklahoma-based chain has posted 15-percent same-store sales growth in the category in 1988, and 35 percent to 40 percent total growth, including ten stores that were purchased.

May's confines its Eveready and Duracell assortment to 3- or 4-foot end racks in smaller stores, and uses an 8- to 12-foot in-line section in its larger units. Its Drug Warehouse stores carry a minimum of 12 feet, and up to 20 feet.

May's has resisted adding to the assortment, to hold down inventory investment and SKUs, and conserve space. When the chain added Eveready's "Conductor" early this year, it was at the expense of other Energizer items, Smith said. It also has kept SKUs at four-count packs or under.

Lane Drug of New Jersey promotes batteries nine times a year in a circular or coupon book, which drives movement from an 8- foot to 12-foot in-line display of Eveready and Duracell. The display is occasionally augmented by floor stands, buyer Sharon Cartwright said.

The 21-store chain brought in floor stands of the Duracell C and D four-packs at Christmas season. It will retain the four-pack Cs for the everyday assortment, but drop the Ds, since Cs sell at five times the rate of the Ds, Cartwright observed.

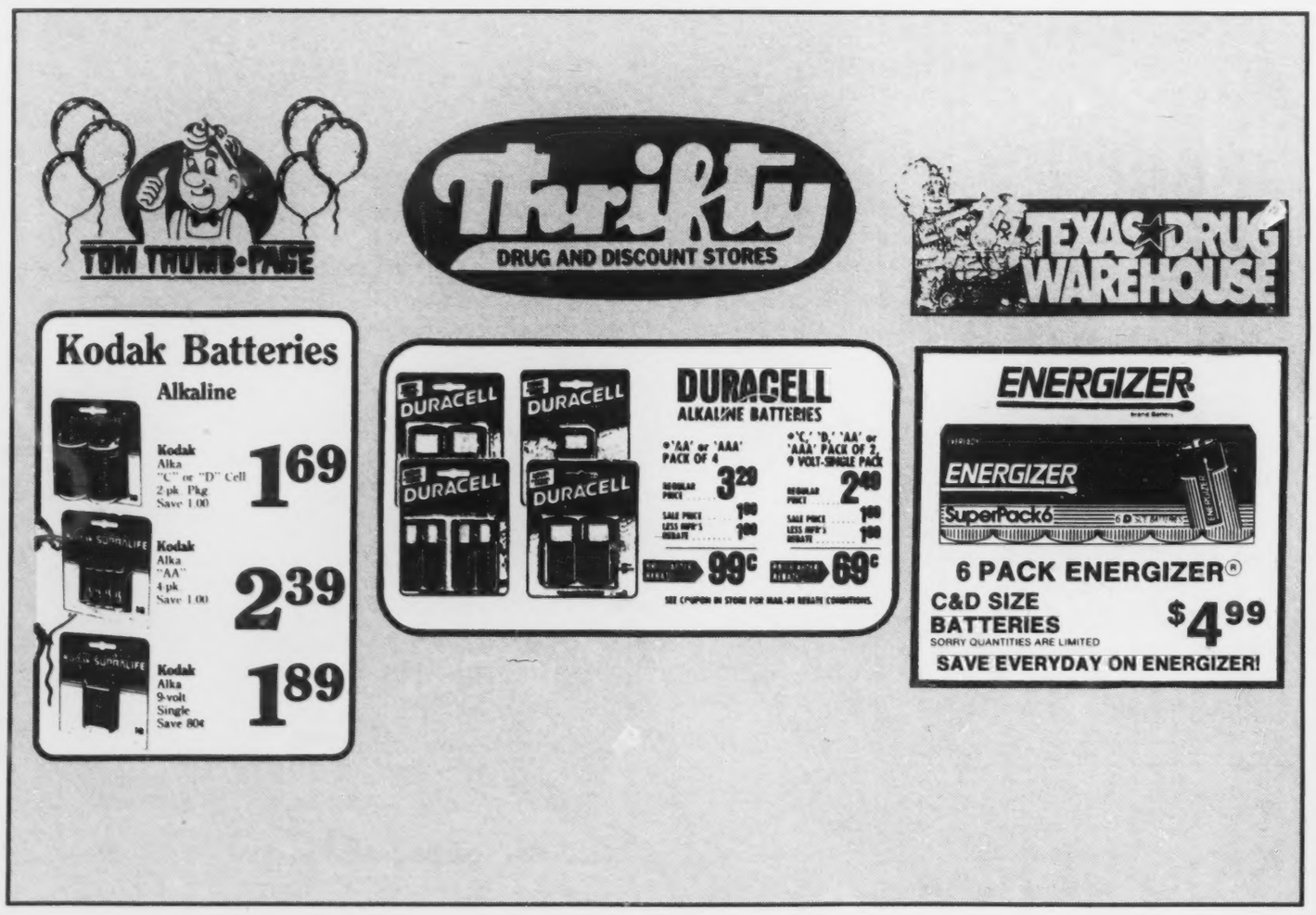
Lane has also used floor stands of Duracell's Mallory brand at 99 cents a battery, and of Eveready's general purpose battery.

The stores feel pricing pressures from supermarkets such as Pathmark. Notable promotions have included the Energizer C and D two packs and 9-volt singles at $1.79, with a $1 rebate; the AA four-pack at $2.29 with a $1 rebate; and two packs of Duracell Cs and Ds, and the 9-volt, at $1.99 with the $1 rebate.

Battery sales top 3 million units

- Sales of batteries required for battery-operated devices peaked at just under 3 billion in 1987. The total is projected to top 4 billion by 1997.
- Devices that demand the most batteries are video and photography equipment, lighting devices, and audio systems.
- A typical "boom box" will play for eight hours on alkaline batteries with volume at normal level. Blasted at top volume, the playing time is reduced by about half.
- A battery's life will vary according to the device it's used in, and how the device is used. Exposure to extreme temperatures shortens battery life. As a rule, alkaline cells provide up to six times more service than zinc-carbon.
- Forty percent of all batteries are bought during the Christmas season.

Source: Duracell U.S.A.



Film develops into front-end chain staple

Film has become one of the most successful front-end staples in the nation's drug stores, with sales expected to grow another 10 percent next year atop healthy gains in 1988.

The success of a once-dormant category springs from aggressive chain drug advertising and promotion programs, along with the continuing boom in 35mm amateur photography and the advent of some new film formats in both high and low speeds.

"Film has been an excellent performer this year—so well that we've gone to a direct-deal program with it and eliminated the rack jobber we used to use," reported sundries buyer Vic Neale of the M&R Drugs chain in Michigan. "I'd say film sales are up 20 percent for us this year."

"Film did very well for us, with strong growth throughout all the formats in 1988," agreed a spokesman for Rite Aid.

Buyers attribute the gains to their own companies' more aggressive merchandising and promotional efforts. In Rite Aid's case, for instance, an increase in advertising and an increase in alloted store space for the category a year or more ago helped fuel stronger film sales.

"In most stores, we merchandise film at the front near the checkstands, and we alloted more space for it in 1987," said the Rite Aid spokesman. "The buyers felt that contributed to the gains. We're also advertising it more than we used to."

At M&R, Neale said the category took off after the chain boosted ad lineage for film in both its circulars and ROP ads. "We're pushing it a lot heavier than we used to, and we're probably going to be even more aggressive with it next year," he said. "We've also gone from using gravity-fed slide displays to pegboards for film, and it gives them a more impulse-oriented look behind the checkout counter."

M&R "meets the competition" on price in film, and draws traffic with a "very price-conscious" and competitive approach to photofinishing. A secondary location for film at the photofinishing service counter also helps boost sales, Neale said.

In M&R, Rite Aid and many other chains, film has made a very successful migration over the years to the front of the store, at or near the checkstands. Other chains which have switched locations for film, or added a second location, include Arbor Drug, Rix-Dunnington and Fruth Pharmacy.

"We give film and batteries a massive presentation behind the checkout counter," noted Steve Sorkin, vp-merchandising for Rix.

"We used to keep it behind the register counter, but this past year we put it out front on a rack near the checkstand, where customers can get to it," added a spokesman for Fruth. "It does better there as a pegged item."

Fruth enjoys strong film sales even without heavy discounting or promotion in its West Virginia market, the buyer added. "It's been years since we've promoted film."

At Fruth, the top-selling film format is 100-speed, 24-exposure 35mm print film. Neale, on the other hand, reports that 200-speed rolls of 24 exposures is the best performer at M&R.

Private label film also remains a standout performer for many drug chains. Retailers like Perry and Longs have revamped their packaging for private label, including film, and sparked healthy sales gains.

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Sunday is Half Price Prints Day
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VIDEO TRANSFER

LaVerdiere's, Gardiner, Me., considers its checkstands a primary location for merchandising film, photofinishing and a movie film-to-videotape transfer service.

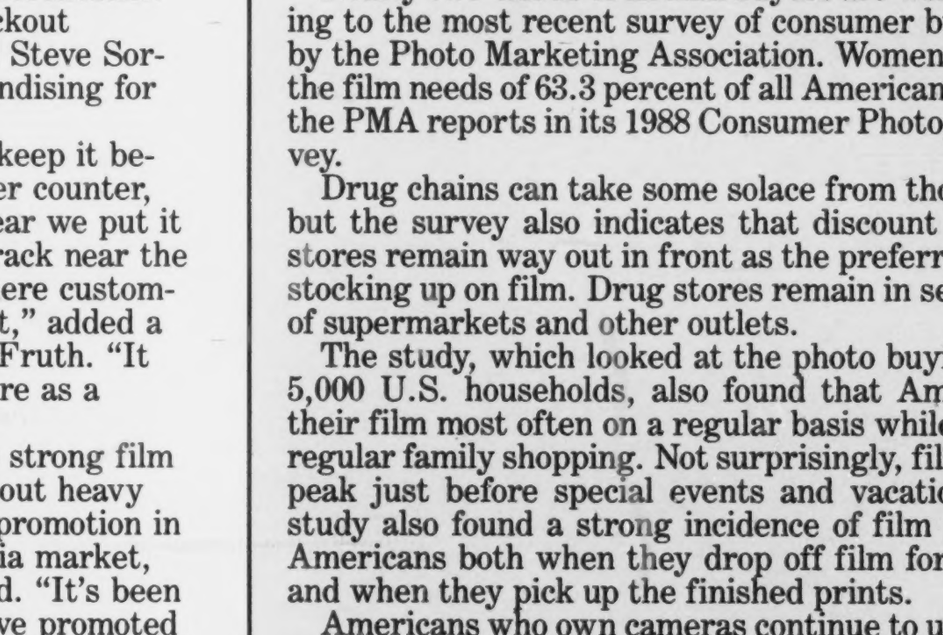
Most film purchases made by women

Nearly two-thirds of all film buyers are women, according to the most recent survey of consumer buying habits by the Photo Marketing Association. Women take care of the film needs of 63.3 percent of all American households, the PMA reports in its 1988 Consumer Photographic Survey.

Drug chains can take some solace from those findings, but the survey also indicates that discount department stores remain way out in front as the preferred outlet for stocking up on film. Drug stores remain in second, ahead of supermarkets and other outlets.

The study, which looked at the photo buying habits of 5,000 U.S. households, also found that Americans buy their film most often on a regular basis while doing their regular family shopping. Not surprisingly, film purchases peak just before special events and vacations, but the study also found a strong incidence of film purchase by Americans both when they drop off film for processing, and when they pick up the finished prints.

Americans who own cameras continue to use them, the study also found. Nearly all the 91.9 percent of U.S. households that own a camera purchased film over the past 12 months, the PMA reports. In addition, 80 percent of those households stocked up on film at mass merchandise outlets like discount, drug and food stores.



Multipacks are displayed prominently in single-category checkstand endcap at Eckerd, Clearwater, Fla.

DRUG STORE NEWS

Top 10 Category Stats:

17% of the retail drug merchants surveyed by Drug Store News said film would be one of the hottest merchandising categories in 1989, with sales increasing 10.0%.

Source: *Drug Store News* survey

Where American families buy film

Outlets	Percent of households
Discount stores	38.8%
Drug stores	24.5
Supermarkets	13.5
Camera store	4.6
Giant combo stores	4.5
Department stores	3.8
Mail	3.7
One-hour photo labs	1.4
Drive-up film drops	1.2
Catalogue showrooms	1.1
Convenience store	0.6
Other	2.3

Based on survey of buying preferences of 5,000 consumer households.

Source: Photo Marketing Association

Film formats used in households

(in percent)

35mm color print	58.6%
110	35.7
Disc	19.7
Instant print	16.1
126	11.5
35mm slide	9.8
Other	3.1

Source: PMA 1988 survey

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TRENDS

What's hot and why in the consumables category

By Richard Lawrence

Packaged goods introductions in 1988 are down 5 percent from 1987's all-time record. A good indicator of a hot product category is continued growth of new products running counter to the total trend.

Where this is happening the reasons are usually obvious. There are a handful of reasons driving innovation across a wide range of consumables:

- Because time is precious for working families, improved convenience in all its forms sells new products.
- Though there is often a gap between what people say and what they do, new products that offer healthier alternatives meet the needs of today's lifestyles.
- Successful new products no longer appeal to everyone. We've become a nation of individualists seeking products that are "right for me," not everyone else. This has led to more choices and improved product quality.

It's hard to find a hot category in consumables where these factors aren't at work.

The baby boomlet among older, more affluent parents has quickened the pace and changed the direction of childcare introductions. Alarming reports about increasing rates of skin cancer have spurred growth and segmentation in new suncare products. Fear of AIDS has awakened interest in new condoms. As consumers' focus shifts to preventive medicine, self-diagnostic medical kits are finding a market.

Richard Lawrence is president of Marketing Intelligence Service, Ltd., Naples N.Y.

Here are some of the hottest categories in consumables in terms of new products and the factors that are affecting them.

Snack, convenience foods

Fragmented eating patterns have blurred the distinctions between meals, light meals and snacks. Relative increases in introductions of traditionally defined snack foods—snacks, snack bars, popcorn, nuts and chips—have just exceeded increases in total new foods in years and in 1988 fell slightly behind. A better gauge of the hot trends in foods is to track microwaveable, single-serve, and finger-food introductions. All of the introductions are on steep upward curves.

Baby care

Annual birthrates in the mid-'80s are running 25 percent higher than in the previous decade as baby boomers of the '50s create their own baby boomlet. More babies, plus the fact that over 50 percent of mothers now return to work shortly after giving birth, has increased the demand for products that make babycare and parenting more convenient. Parents who are older, more affluent, and more demanding than in the past has encouraged upscale new products that focus on quality, healthfulness, and greater choice.

Diagnostic tests

Technologies which were once accessible only through health professionals in a hospital or doctor's office are now available to lay people in their homes. This coincides with a growing emphasis on wellness and preventive medicine.

Introductions of self diagnostic tests are still small in number but their ease of use and variety is increasing.

Family planning

Some of the new products under this heading are covered in the previous paragraph on pregnancy and ovulation tests.

More conventionally there have been increases in the number of new condoms. The total numbers are small but we expect the trend to continue as awareness grows of the danger of contracting AIDS.

Marketing and product innovations for condoms include products for women and teenage buyers, products with antiviral spermicides, products which seal to the skin, and extra strength products.

Sun care

Alarming reports linking the increase in the rate of skin cancer with the predilection for suntanning is a primary cause of the startling 40-percent growth rate in new sun care products since 1984.

How have marketers sought to distinguish their entries? SPFs have climbed from a maximum of 15 in 1984 to 44 in 1988. "All over" products are no longer the norm. Consumers can choose from sunscreens especially for the face, lips, nose, under eyes, chest, scalp or hair. There are products just for babies, children, teens, men, or swimmers; for those who want to tan in the sun, under artificial light, or get a tan without any ultraviolet exposure.

Today's complete sunbather also needs before-, during-, and after-exposure products. For those concerned about the sun's aging effects, there are products with collagen. There are now several lines of makeup that double as sunscreens and decorator sunblocks for truly distinctive effects. Portable packaging ideas run the gamut from standard sticks and sprays to bracelets, towelettes, and even a radio with a built-in sunscreen dispenser.

It is hard to believe that any wants remain unfilled in this category. But concerns with the harmful effects of the sun seem set to increase, rather than diminish, with ongoing predictions of the vanishing ozone layer in the stratosphere and climatic warming. We've already seen one new product for everyday use against background ultraviolet light. Routine protection such as this could become more common.

Baby care product introductions

	1984	1985	1986	1987	1988
Baby foods	9	4	6	8	19
Baby products	41	32	40	41	51
Total	50	36	46	49	70

Source: Marketing Intelligence Service, Ltd.

Diagnostic test product introductions

	1984	1985	1986	1987	1988
Pregnancy, ovulation	3	2	6	5	8
All others*	—	11	5	2	4
Total	3	13	11	7	12

*Includes self tests for blood alcohol, fecal blood, bowel toxicity, bowel transit time, vitamin C, calcium, sodium, urine nitrite, strep throat, heart disease, and gonorrhea. Tests for cholesterol are expected very shortly. Blood glucose tests are not listed as they are largely merchandised behind pharmacy counters.

Source: Marketing Intelligence Service, Ltd.

Sun care product introductions

	1984	1985	1986	1987	1988
Sun care products	26	35	66	88	104

Source: Marketing Intelligence Service, Ltd.

BEAUTY TRENDS

Study shows sun care to continue growth in '89

Elsewhere in this issue, you'll read the results of *Drug Store News'* Hot Categories Study of chain drug merchants.

That survey is designed to help us identify the 10 fastest growing categories in chain drug stores, and sun care was singled out as a strong growth area.

Fifty-four percent of the buyers surveyed picked sun care as a strong growth category, and they estimated that sun care would go up again in 1989 by an average of about 15 percent.

Their confidence in the category is all the more impressive because sun care has been showing strong growth for at least three years now, and it would be understandable if buyers should start to think the category was peaking.

After all, how long can chains go on generating growth surges of 20 percent, 30 percent and even better and still think the category has room for more growth.

However, where sun care is concerned, buyers are optimistic and they say it is because consumers keep showing more and more concern about potential sun damage.

The danger of sun exposure has gotten so much publicity and people are so afraid of developing cancer or at best, wrinkles, that buyers say there is still room for several more years of aggressive growth.

Buyers also think there is room for growth in related categories that lend themselves to sun protection benefits, such as moisturizers and facial makeups.

The high SPF sunblocks are the fastest growing segment of sun care, but oddly enough their use in a formula for a beauty care product hasn't quite caught on with consumers yet.

Surprisingly, most chains report only mediocre activity on foundation products with sun protection. Yet many buyers say they think this niche has potential for faster growth, and several said that if the manufacturers got behind their lines with more aggressive advertising that would explain the products, then sales could be much better.

Forecasting trends in '89

One source for a northeastern drug chain said she felt 1989 will be much more promising for these brands. For one thing, Max Factor will be advertising Sun Smart more often and they will break their ads earlier in the season.

This buyer said she intends to help sales by advertising Sun Smart herself early in the season. "Last year, I waited until the fourth of July to break the ad, and that was too late," she said. "This year, I'll break an ad around Memorial Day and I'll end cap Sun Smart, and maybe include the Almay brands on the end so people will start to understand what they're for."

She also said she was thinking of bringing in the Physician's Formula Sun Shield line so her stores would have a stronger "presence" in this segment.

"It takes education to get the customer aware of what these brands are," she said, "but I think this segment has promise, and I think the turning point could come this year."

Buyers are also optimistic about the evolution of sun protection factors into moisturizers and other skin care products.

One source called this latest transition, which to a certain extent blurs the line between a sun care and a skin care product, "innovative," and said he felt it would result in faster growth for skin care items.

"The high SPF factors are what is fueling the growth in sun care," he said, "so it's logical that their presence in the formulas of skin care and cosmetic products could have the same impact on these categories."

Several buyers also said they plan to advertise some of the new products coming out in this segment, especially the new Neutrogena Moisture SFP 15 with a sheer tint and Keri's Anti-Aging Moisturizing Lotion, which is formulated with sunscreens. Westwood, which makes Keri, says the suncreens are in the formula to protect the skin against harmful UVB and UVA rays which may cause premature aging.

Miller eyes '88's winners, losers — SAMI data, page 4

Major fem. hygiene brands gain — Page 11

Drug chains reclaim cosmetic niche — Beauty Beat, page 21

SECOND CLASS

DRUG STORE NEWS

Vol. 11/No. 2 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Jan. 23, 1989

Walgreens stays on rapid growth track; '89 a high-tech year

CHICAGO — Walgreen Co. will continue to expand aggressively, chairman Charles Walgreen III pledged at the annual meeting here Jan. 11. The chain, which has opened 562 new stores over the past five years, will open another 600 in the next half decade, Walgreen told shareholders.

"And that's not counting acquisitions, which we continue to aggressively pursue," he added. "Overall, our capital spending is expected to increase 30 percent in fiscal 1989, to $150 million."

Besides 100 new stores and extensive remodels of 165 units this year, Walgreen will invest heavily in technology in 1989. POS scanning and SIMS, the company's new Strategic Inventory Management System, head the list.

Other new uses of technology, Walgreen said, will include a new electronic purchasing system for buyers—due this spring—and a satellite linkup with virtually all stores, offices, distribution centers and photo labs by 1990.

Walgreen also announced that sales in the first-quarter which ended November 30, were up 8.7 percent, to $1.2 billion, with same-store results up a healthy 8.9 percent. Net earnings, aided by improved inventory and expense controls, shot up 31.4 percent, to $24.7 million.

Harris in merger with giant medical supplier

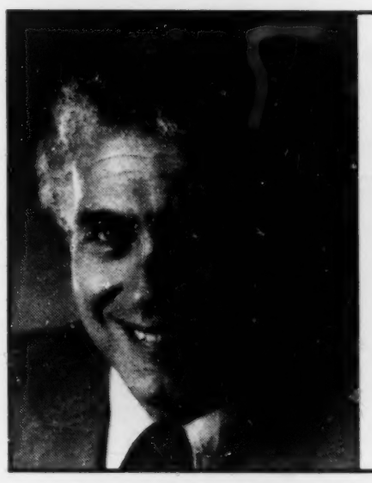
Wholesaler expands mix, gets war chest

By Elizabeth Parks

SOLON, Ohio — Harris Wholesalers, the nation's second-largest independent drug wholesaler, has merged with a private holding company whose investments include General Medical Corp.

General Medical is the largest supplier of medical and surgical equipment/supplies to nursing homes, physicians and clinics in the U. S., and the second largest supplier of these goods to hospitals.

The merger gives Harris and General Medical the opportunity to combine their complementary product mix to become a one-source supplier for hospitals, nursing homes, clinics, and retail pharmacists who want to expand their share of sales with medical institutions.



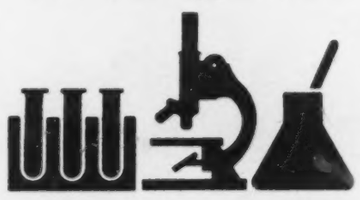
President Seth Harris estimates that the wholesaler will be able to open another four or five distribution centers within the next 24 months, which could add as much as $1 billion to Harris's annual sales.

The merger also gives Harris a war chest of funds for aggressively expanding into new markets and new areas of

See **Harris,** *page 53*

In this issue:
Inside Pharmacy

- Cholesterol screening
- New drug review
- New 'Health Talk' column
- Washington Perspective
- Statewire
- Drug Watch
- C.E. lesson on nutrition supplements

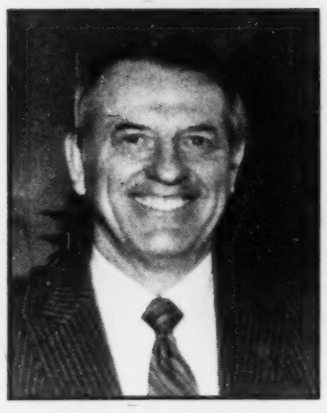


American buyout rumors hike stock

By James Frederick

IRVINE, Calif. — As American Stores prepares for a top management change, speculation over a possible takeover bid is driving up the price of the retailer's stock. On Jan. 29, chairman L. S. "Sam" Skaggs will turn his duties as chief executive over to vice chairman Jonathan Scott.

Both share price and trading volume have surged since late December, when analysts began touting the company as a possible takeover candidate. At press time, shares had risen about $8 in two weeks, to more than $60, on trading volume far in excess of normal daily averages for the stock.



Jonathan Scott
new chief executive

The rise is being attributed to two factors. The first is Wall Street guessing that the company's merger with Lucky Stores may be overturned in court, thus making it far easier prey for a takeover. American Stores is appealing a preliminary injunction barring its $2.51 billion merger with Lucky on antitrust grounds, but a ruling has yet to be handed down by a three-judge panel in California.

Secondly, analysts are taking a hard look at the company's assets, and some are recommending what they say is a bargain.

"There's no resolution of the Lucky situation yet, so I think the stock is just responding to analysts' recommendations," noted Jonathan Ziegler, retail analyst for Sutro & Co. Ziegler referred to a *Wall Street Journal* "Heard on the Street" column which ran in early January, in which one analyst valued the company's shares at $130 in a takeover situation.

A spokesman for American Stores responded that the company knows of no party accummulating shares for a possible takeover try. "That valuation was one stock analyst's viewpoint, and the price of

See **American,** *page 53*

LATE NEWS

- RICHMOND, B. C. — London Drugs is building three more large-scale, high-volume drug stores in British Columbia and Alberta, boosting its store count in Western Canada to 35 by the end of 1989. The chain opened three stores last year.
- TROY, Mich. — Arbor Drugs moved headquarters into its new, three-story building here Jan. 16. With 52,000 square feet, the facility on West Big Beaver Road, across from K mart's headquarters, doubles Arbor's office space.
- PITTSBURGH — Craig Sinclair has been named vp-marketing at Thrift Drug. He replaces Tom Sigerstad, who left Thrift to join The Michael's Co., a Dallas-based chain of arts and crafts stores. For the past two years, Sinclair has been Thrift's manager of strategic planning and new business development.
- NEW YORK — Leroy Pharmacies Inc. has purchased the assets of Continental Health Products, , which includes a lease for a tenth store site. Leroy is also building a Total Parental Nutrition center at East 23rd Street to service the chain.

Heavy debt burden drives Cullum to shed Hypermart USA interest

By Susan Ball

DALLAS — Cullum Companies has completed the sale/leaseback of its 50-percent interest in the two Hypermart USAs it operates jointly with Wal-Mart in this metro area.

"It's nothing more than a financial arrangement with an investor, a way to get the money out that we had in it [the joint venture]," said Jim Stiles, vp and cfo, who declined to name the investor. Cullum Companies will con-

See **Cullum,** *page 53*

Cullum Companies will continue to operate the food side of Hypermart USA stores in Garland and Arlington, Texas, as lessee.

NEWS IN BRIEF

Seven new Genoveses set for early '89

MELVILLE, N. Y. — Genovese Drug Stores is starting the new year with plans to roll out seven new stores in the first six months, beginning in February with its 91st store in North Babylon, Long Island.

The newest Long Island unit is being fixtured and should open the latter part of February, said Don Gross, vp-marketing. After that, the other stores will be opening in quick succession from late March through April, Gross added.

Genovese's first store in the Bronx is among the planned openings, but no date has been set yet, due to lease problems, Gross said.

Meanwhile, Genovese has seven stores up on its POS system, with more expected to come on line mid-year.

Dominick's freezes Rx prices in 1989

NORTHLAKE, Ill. — Dominick's Finer Foods, a leading Chicagoland food and combo store chain, has frozen prescription prices at all 15 of its in-store pharmacies for the year.

The freeze applies to all customers filling new prescriptions between Jan. 5 and Jan. 31. All allowable refills of those original scripts will be offered at the same prices throughout 1989. Dominick's called the move "an ongoing commitment to resist price increases on pharmaceutical needs."

The price freeze is being touted in full-page ROP newspaper ads in *The Chicago Tribune*.

In another low-price bid, Dominick's pharmacies also accept all competitors' pharmacy coupon offers, and add an extra $2 to their value. The chain also promotes generic drugs through price comparison charts at pharmacy counters.

Nat. Intergroup completes Zahn buyout

MELROSE PARK, Ill. — National Intergroup, parent of FoxMeyer Drug Co., has completed its purchase of Louis Zahn Drug Co., one of the Midwest's biggest regional drug distributors. The deal, whose terms were undisclosed, was concluded in early January.

Zahn will become part of FoxMeyer's growing coast-to-coast drug distribution system and "improve its presence in the important Chicago market and surrounding areas," said National Intergroup chairman and ceo Howard Love.

The local firm will continue to operate under the Louis Zahn logo with existing management. Founded in 1931 and a private company until the merger, Zahn serves more than 1,000 drug stores and hospitals in Illinois, Wisconsin, Indiana and Michigan. Sales exceed $200 million per year.

Perry renames 2 home health care outlets

PONTIAC, Mich. — Perry Drug Stores has renamed two of its five retail home health care outlets to Perry ComfortCare to bring the stores within its corporate logo.

The stores—formerly Flint Medical of Flint, Mich. and Norton Surgical and Respiratory of Lincoln Park, Mich.—both provide home medical equipment for sale and lease, infusion therapy services and wholesale medical supplies.

The units are part of Perry's Health Care division, which last year accounted for $21 million in sales.

Falbaum exits Perry; forms PR agency

Falbaum

PONTIAC, Mich. — Berl Falbaum has retired as vp-corporate communications at Perry Drug Stores to start his own public relations/media consulting firm.

Since Falbaum came to Perry five years ago, he has served as the chain's chief communications link with the press, public and Wall Street. Falbaum also edited Perry Press, the company's employee newsletter, and spearheaded many of the chain's efforts to improve store service levels as liaison between Perry's ad hoc customer care committee and district managers.

For the time being, at least, Falbaum will maintain an office at Perry headquarters to build his own firm, called Falbaum & Associates. He will also continue to serve the chain as its outside communications specialist.

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Vol. 11, No. 2 Jan. 23, 1989

Big crowds and sales gains bring chains holiday cheer

Merchandising Spotlight

This national roundup of Christmas sales was reported and written by Christine Bizzarro, Pam Krein and Elizabeth Parks.

It was a happy holiday season for drug chains in December, as merchants told tales of crowded stores and healthy sales gains.

Across the land, retail sales in all trade classes rose 6 percent to 10 percent, because shoppers had greater confidence in the economy and a longer shopping season. The story was the same at drug chains. The 103 chain members of newly-merged Affiliated/Associated Drug Stores turned in strong seasonal gains, said president Philip Weinstein.

"The two extra buying days between Thanksgiving and Christmas helped out a lot," he said. "The Thursday and Friday before Christmas were good days for drug stores, what with Christmas falling on a Sunday this year," he said.

Retailers interviewed pinpointed EpiLady, the hair removal system, the "E.T." video, and the Nintendo Home Entertainment System as some of the season's big winners. Personal care appliances got votes too, but toys generally didn't fare well at drug chains because specialty toy discounters have broad assortments and sharp prices and grab the business.

East

The biggest positive surprise at Standard Drug in Virginia was its sell out of Teenage Mutant Ninja Turtles toy action figures, said merchandise manager Chris Hayman.

Chainwide season sales rose "marginally," he estimated, despite greater promotional efforts which began in early November. Weekly circulars and television commercials heightened Standard's presence in its competitive market.

Traditional Christmas items like bows and gift trims sold "exceptionally well," as well as lighting products and battery-operated window candles. A local resurgence in outdoor decorating prompted strong sales of outdoor garland and lights.

In Maine, snow didn't fall, leaving people free to shop. "Many flocked to the malls, but visited neighborhood drug stores too," said Larry Plotkin, president of Wellby Drug Stores. He noted 15 percent comp-store sales gains in the season.

Basic Christmas inventory like greeting cards, batteries, giftwrap and stocking stuffers sold well. Giftware, which Wellby sells only during Christmas, didn't do as well despite an early November catalog mailing.

Gary Spielfogel, president of Austin Drugs, Long Island, said sales were considerably better this Christmas than last.

Trim-a-tree was popular, as were jewelry and hair accessories. Since Austin caters to an affluent market and is service-oriented, the hair accessories sold in the store were promoted from early November with hair stylists available to demonstrate and give away coupons for area salon services.

Midwest

Dick Scott, president of Osco Drug, said sales were better than last year, calling the season "a very good clean up." Osco surpassed its goals for inventory sell-through during Christmas.

Revco posted record breaking sales in the week ended Dec. 24. Boake Sells, president, said in an internal newsletter that "Sales were nearly 7 percent above our previous record high set in December 1986. We did that with 66 fewer stores than we had in 1986."

Sells said "We were able to get back into stock on basics by the holiday season. Revco suppliers came back with the trade support we needed to have well-stocked shelves for Christmas. The sell-through on Christmas merchandise was excellent. Compared to last year, our seasonal markdowns will be much lower."

At Walgreens, a spokesman said preliminary drug store figures showed an 11.4 percent rise in December. She added that inventory sell-through was good, but it's too early to pinpoint the best sellers.

South

Overall sales gains for the Christmas selling season were in the "double digits" at Harco, said Keith Connell, director of purchasing.

These figures were attained despite a plateau in promotional efforts and little dis-

See **Chains** *page 53*

Cosmetics show sales gains in Dec.

NEW YORK — Early reports from cosmetic and fragrance buyers around the country indicate that this past Christmas was a good year for chain drug stores, with 5 percent to 10 percent sales gains.

In fragrances, department store lines did exceptionally well whenever chains could get the prestige brands. Obsession for both men and women, Liz Claiborne, Chanel, White Linen, White Shoulders, Passion and Beautiful were consistently named as strong sellers.

In mass brands, hot sellers included Hero, Sante Fe, Trouble and Ex Cla Ma Tion, all new in 1988. Chaps, Stetson and Old Spice all did well too, buyers said. Every chain interviewed said alternative designer fragrances were cut back this year because buyers feel the category has passed its peak. They cited Primo, Delegar and Illusions as some of the best performers in the segment.

In cosmetics, most buyers said the Revlon line was "outstanding" this year. Most interviewed said everything from Revlon sold this year, especially eye shadow kits. Kits from Cover Girl and Maybelline also sold well.

Buyers praised Maybelline's Shine Free make-up, Factor's Satin Splendor, and Revlon's New Complexion makeup and Anti-Aging lotions. Erace, Almay's Stress products, and No Color were also singled out as "very strong."

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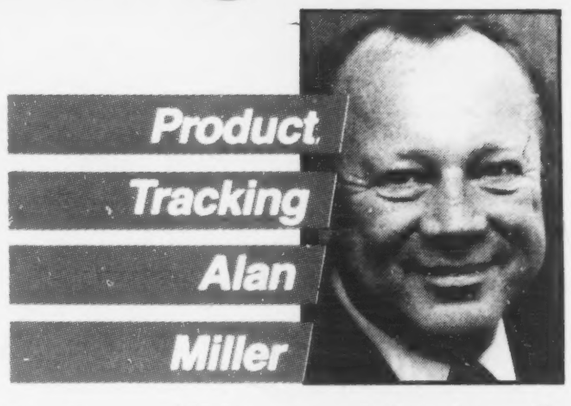
SPECIAL SAMI/BURKE REPORT

Where drug stores' H&BA action was in 1988



As 1989 begins, it seems appropriate to reflect on drug store trends of the past year. There will undoubtedly be other "late starter" findings to examine as the new year unfurls, but for now I want to identify the H&BA categories which gained and lost in the 52 weeks ended Dec. 2, 1988.

In 52 H&BA categories combined, unit volume nationally in drug stores rose a scant 0.2 percent. This compares with a unit volume gain of 2.4 percent in the same categories over the same period in food stores. In all, there were 22 H&BA categories with sales increases in drug stores and 30 that declined.

In many instances, the volume gains can be traced to new product activity, although 1988 was a year in which there was a dearth of exciting and innovative new products. (In food stores, through November 4 there were 288 new H&BA brands launched in one or more SAMI markets as compared with 295 during a similar 44-week period in 1987.)

The category with the highest unit volume gain was appetite suppressants and in this category Plough's Stay-Trim completed national distribution and became the number two brand behind Dexatrim in the third quarter of the year.

The second highest gain was accomplished by feminine hygiene deodorants which enjoyed an increase of 21.3 percent, contributed by Massengill Towelettes which rolled out nationally during the year.

Hair sprays, which include spritz items, benefited from the national launching of Helene Curtis, Salon Selectives and Alberto Culver's Bold Hold. New markets were also added for Freeman (now national) and St. Ives (nearly national).

All but one of the nine million dollar drug store brands of lip care products enjoyed sales gains. There were no major new brands during the year, but new line extensions particularly for Blistiks were introduced. In the laxative and stool softener category where unit volume rose 7.1 percent the brands with major increases in national drug store share included Metamucil, Dulcolax, Citrucel, Fibercon and Squibb.

In mouthwashes, which had a 6.5 percent overall gain, the focus of attention was in Plax, Listermint Fluoride, Viadent and Colgate Tartar Control which completed national distribution during the year.

Neutrogena and Sea Breeze were standout performers among facial preparations and Buf-Puf Cleansers were new and national in this category. The gain of 5.7 percent in the razors and blades category can be attributed to volume from Block Drug's new Soft Shave as well as new Lady Gillette.

There was only one major new entry in the shampoo and hair conditioning rinses categories: Revlon's Clean & Clear. It is highly unusual to witness such an absence of new product churning in these categories in which there are so many major manufacturers competing in new product one-upmanship.

Several of the categories with loss trends as the year drew to a close were those with continuing attrition. The home permanent kits category has been losing ground consistently and during the downfall Sterling Drug's Ogilvie has garnered the number one spot from Lilt and Toni.

Toward the end of the year spray deodorants attracted volume from roll-ons, sticks and creams. Sprays were helped by two important introductions by Mennen and Ban from Bristol-Myers.

With the exception of mouthwash, all oral hygiene categories had lower unit sales in drug stores on an annual basis. It should be kept in mind that the year ago sales of toothpaste were inflated by new product activity featuring tartar/plaque control and special items for children.

The trends we have been reviewing are national in scope. Because brand performance differs dramatically from market-to-market I always try to illustrate this marketing fact of life with an example of differences we are finding, regardless of the variable under scrutiny.

The accompanying table identifies the best and poorest markets based on 4-week dollar shares in drug stores for 15 new H&BA brands launched during the year ending Oct. 7, 1988. Each of these brands has been in national or nearly national distribution for at least three months so that some of the bloom was off the rose when these readings were taken.

There are three brands with 4-week dollar shares (period ended Oct. 7, 1988) of 10 percent or higher in the market with the best share performance. In two out of three of these products (brand not identified but category is) the share in the weakest market was less than 1 percent. In the case of the hand and body lotion under scrutiny the share in St. Louis was 10.0 percent and was 1.1 percent in the weakest market.

It is differences like these that make the game of new product roulette exciting. The marketers who gain knowledge of these market-by-market idiosyncrasies often come up with the winners.

* * *

Readers wishing to inspect the market-by-market share trends of one of these new products may obtain a copy by sending a request (written on company letterhead and signed by company executive) to: Warren Spence, VP-H&BA Marketing, SAMI/Burke, 55 Greens Farms Road, Westport, Conn. 06880. Please designate the letter of the new product report you wish to receive.

New H&BA product performance in drug stores: Variations in SAMI market shares

(Four weeks ended Oct. 7, 1988)

Category	Best Market	4-Week Dollar Share	Poorest Market	4-Week Dollar Share
Spray Deodorants	Oklahoma City/Tulsa	12.00%	Houston	0.80%
Shampoo	Louisville/Lexington	4.70	Spokane	0.60
Hair Spray	New Orleans	1.90	Los Angeles/San Diego	0.60
Hair Spray	Grand Rapids/Kalamazoo	9.60	Birmingham/Montgomery	2.00
Hair Conditioning Rinses	Louisville/Lexington	7.40	Spokane	0.60
Hair Setting Needs	Detroit	2.90	Kansas City	0.30
Toothpaste & Powder	Birmingham/Montgomery	15.10	Quad Cities	0.90
Toothbrushes	Scranton/Wilkes-Barre	4.70	Spokane	0.20
Antacids	San Antonio/Corpus Christi	4.00	San Francisco	1.40
Cold Remedies	Detroit	2.20	El Paso/Albuquerque/Lubbock	0.10
Appetite Suppressants	Houston	5.20	Portland, Ore.	0.02
Synthetic Vitamins	Birmingham/Montgomery	5.20	Cleveland	0.04
Shaving Creams	Charleston/Savannah	5.30	Spokane	0.10
Hand & Body Cream–Lotions	St. Louis	10.00	Seattle/Tacoma	1.10
Facial Preparations	Portland/Concord	3.30	Milwaukee	0.20

Source: SAMI/Burke

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TRENDS

Fem. hygiene items boosted by pre-pricing

Many chain drug retailers felt that vendor pre-pricing and aggressive advertising of core brands improved napkin and tampon sales in 1988. These leading brands helped lift the category from a flat trend that other merchants attributed to overproliferation.

Adding to the positive sales outlook, new external feminine hygiene products such as washes and towelettes seem to be gaining acceptance.

Moreover, SAMI/Burke data shows that unit sales of feminine hygiene deodorants rose 21.3 percent in drug stores this past year, and feminine douches and washes gained 3.9 percent.

To capitalize on impulse sales opportunities, retailers often display external washes and towelettes next to sanitary napkins and tampons, which draw steady replenishment traffic.

"The douche market has matured somewhat," said Brian Duffy, president of C.B. Fleet, maker of Summer's Eve. "But an interesting new market in this segment is the external product market." Summer's Eve Feminine Wash and Summer's Eve Feminine Mist are two C.B. Fleet products cashing in on this market, drug chain buyers noted.

"Women are looking for refreshing, non-irritating, external hygiene products," Duffy said. Neither the wash nor the mist contain soap. C.B. Fleet is also introducing Summer's Eve Feminine Powder, made with cornstarch, to the external product line.

In this segment, retailers also said Massengill's Baby Powder Soft Cloth Towelettes, made by Beecham, have sold well since their introduction a year ago.

Henninger Drug Stores, in the Chicago outskirts, aggressively promotes a broad range of branded feminine hygiene products, including tampons, napkins and panty shields.

Sales up for branded items

In branded pads and tampons, the category mainstays, pre-pricing and heavy advertising lifted sales. Mike Weiner, vp merchandising at Rix Dunnington in Massachusetts, said "the old standbys like Tampax, Stayfree, Kotex and Always are good movers, especially when they are prepriced at $2.99 and $3.29. "They really seem to take off."

The chain devotes 24 feet to the section, and positions it near the pharmacy in the back of the store.

At Rite Aid, the category gets an average of 40 feet, which is split among 55 branded and about a dozen private label products. Pre-pricing of bulk products, and increased consumer acceptance of its store brands, helped the category produce better over the past year.

At Peterson Drug Co. in New York, Dean Waldron, feminine products buyer, attributed sales growth in core brands like Tampax Petal Soft tampons and Summer's Eve brand douches to extensive consumer advertising by manufacturers. For its part, Peterson cut back its category advertising because "everyday movement was strong" and ads weren't generating that much incremental sales.

"We used to run one feminine hygiene product in each circular, once a month, 12 times a year, but now we run one product approximately seven times a year," Waldron said.

At Leroy Pharmacies, which enjoys a strong health care image in its primarily urban market, president Stanley Lepelstat said pre-pricing at 25 percent below typical levels, along with manufacturer displays, enhanced feminine hygiene performance. Leroy, which devotes eight feet to the category, also aggressively advertises Summer's Eve and Massengill douche twin-packs monthly in its circulars.

However, Perry Drugs' Steve Lund had a different opinion on pre-pricing. "All its done is shifted the business around. The tactic hasn't raised their total shares in the category, and it will not get women to buy more of the product," he said.

Nonetheless, Perry boosted its feminine hygiene business through increased assortments and more aggressive promotional strategy. Perry in 1988 altered its entire advertising program to be weekly rather than just 27 weeks a year. And Perry now includes at least three feminine hygiene products a month in its ads, generally one per week.

Affluent 'first-time' mothers turn to drug chains for needs

More "first time" mothers, with greater disposable income but little time to shop, are turning to drug stores for all their baby's needs.

Indeed, drug stores increased their market share in several key baby care categories in 1988, according to A.C. Nielsen. In disposable diapers, for instance, drug stores gained 0.7 of a percentage point to 10.3 percent. And in baby oil, drug stores gained two share points, to 30.8 percent.

Drug stores seeking to increase their share of this important market are aggressively promoting baby care in the hope of capturing the first-time mother even before her baby is born.

The reason? Expectant moms are heavy spenders. First Moments, a New York-based product sampling firm, recently conducted a survey that concluded that 70 percent of new mothers buy disposable diapers before their baby's birth.

H&BA drug outlet baby care dollar sales

(in thousands)

	1987 annual	Latest 12 months through August 1988
Baby lotion	$ 10,046	$ 11,635
Baby oil	22,307	25,205
Baby powder	25,516	26,780
Baby bath	4,570	5,401
Diaper rash creams	15,620	17,684
Disposable diapers	267,684	283,884
Pre-moistened towelettes	38,519	42,440
Total	384,262	413,029

Source: A.C Nielsen

And, 74 percent buy baby shampoo and 77 percent purchase baby powder.

Stanley Lepelstat, president of Leroy Pharmacies in New York City, advertises Pampers or Huggies at least once a month to compete with food stores that dominate the disposable diaper market.

"Parents need these items every week. They are price-conscious about diapers, and once the parents are in the store, they will look at other baby needs," Lepelstat said.

Disposable diapers are also aggressively promoted at Michigan-based Arbor Drug Stores, said Dennis Wozniak, senior buyer. Arbor uses both circulars and in-store displays to promote the 16-foot to 20-foot diaper set. Endcaps are used for certain new brands that might be advertised that week in the circular.

At Love's, in New York City, a complete baby care section includes value packs of branded diapers and higher margin-toiletries, wipes, bottles and toys.

The latest introduction in the diaper market is Luvs Deluxe for Girls and Luvs Deluxe for Boys, with strategically placed leak guards to absorb wetness where little boys and girls need it most.

Many retailers said it's too early to tell whether anatomically correct diapers will catch on. Ruby Clark, buyer for baby care at A.D. Clark in Los Angeles, said, "Mothers will certainly use them on a trial basis, because they'll be curious."

Diapers are just one segment of a vast array of baby products aimed at new mothers. Sales of the entire baby care category have increased over last year, a spokesperson for Rite Aid said. The chain gives a whole aisle in the store (averaging 50 feet) to the category, which includes branded disposable diapers, powders, lotions and pegged

Continued on page 12

TRENDS

Baby care/Mother care

Drug chains must price diapers competitively to vie with supermarkets like this Publix in Orlando, Fla., which offers a variety of absorbencies, sizes and box counts.

Chains growing key baby care areas

Continued from page 11

products like nipples and small toys. The aisle is placed in the middle of the store across from the toy aisle, and the chain promotes diapers and lotions on a weekly basis in its circulars.

Rite Aid's spokesperson said the chain's private label diapers are one product category that really moves. The chain carries nine PL as opposed to 10 branded diapers. The PLs' higher profitability helps offset lower margins in the highly competitive disposable diaper area.

Sales are also up at Los Angeles-based A. D. Clark, said Ruby Clark, baby needs buyer. "It's always been a good category for us, and nothing is too good for the baby that parents aren't willing to spend their last dollar on," she said.

A. D. Clark uses a "baby table" in the aisle for those items like nipples, oils and lotions that can't be hung on a rack. Some stores in the 19-store chain average 125 feet of baby needs, including diapers and a full selection of baby wear ranging in price from $7.95 to $29.00.

Brian Zappala, H&BA buyer for Maine-based Wellby, said the chain sees consistent movement in the category, but no real growth. The chain allocates about 30 feet for baby needs, including a 12-foot pegged section over diapers for small toys and a 9-foot pegged section over baby H&BAs for nipples and other feeding needs.

Mike Conner, buyer and warehouse manager for Arthur Drug Stores in Connecticut, said small toys and baby H&BAs have been steady sellers, but sales are slightly down over last year's.

Leroy builds loyalty with pump rentals

Mother care items such as breast creams, prenatal vitamins and breast pumps are sold in most drug stores in the baby section, but the category is not a large one. However, Leroy Pharmacies, based in New York City, meets mothers' needs first, hoping to develop a relationship that can produce a loyal shopper.

Leroy offers a breast pump rental service in its home health care department. Stanley Lepelstat, president of the newest publicly-held chain, said more and more women are making the decision to breast feed their babies in light of environmental and health concerns.

Leroy's pharmacy computer aids in advertising the service to new mothers. Once a woman comes in to have her prenatal prescription filled, her name and address are added to a mailing list to receive literature on the breast pumps Leroy offers. "This way we can increase our traffic flow of young mothers, and, at the same time, gain new customers for our baby category." Leroy also sends brochures to New York City obstetricians and gynecological practices.

Hymie Aruch, director of home health care at the chain, said two types of electronic pumps are available. The Egnell model, equivalent to a hospital breast pump, costs $2.00 per day for five days, up to $60 per month. A lighter pump, Schuco, costs $30 per month. New mothers renting the pump must also buy a $13.50 kit which includes disposable tubing, a bottle to catch the milk, and a plate-like cover for the breast. They are billed at the end of each month.

The pumps have been available from Leroy Pharmacies for the past six years, and although no rental figures were available, "continual rentals" have resulted from this service. "Some women keep them for as long as six to seven months," Aruch said.

Once the rental agreement is made, the chain offers next-day home delivery, and in extreme cases, Leroy's might offer same-day delivery.

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A sleepy giant awakens
— In the Market, page 6

Va. benefit plan displeases Rx'ers
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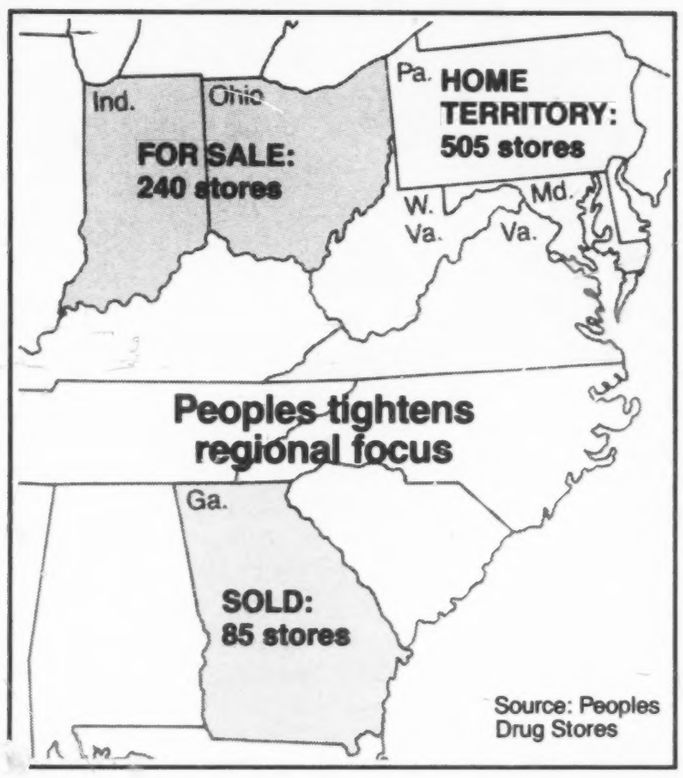
Operators escape Miami riot damage
— Page 103

DRUG STORE NEWS®

Vol. 11/No. 3 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Feb. 6, 1989

Peoples unloading Ga., Ohio, Ind. stores



By Al Heller

ALEXANDRIA, Va. — Peoples Drug Stores, midway through its three-year recovery plan, has decided to jettison its 325 stores in Georgia, Ohio and Indiana.

Released first was 85-store Reed Drug, which Big B has just agreed to purchase for $60 million (Canadian), about $50 million in U.S. dollars. To Alabama-based Big B, which already operates 208 stores in the southeast, the acquisition is a huge spike in its expansion program, and gives the chain its first significant presence in greater Atlanta.

For Peoples' part, top brass looked at Reed, saw a chain that was improving yet held only an 11-percent share in Atlanta. "Do we invest heavily to give Reed a greater presence, or do we redeploy assets into stronger markets?" was the key issue, said David Bloom, ceo of Imasco Drug Retailing Group, which includes Peoples. Peoples decided in the fall to pare back to markets within closer geographic reach and in which it has a No. 1 or No. 2 share.

See **Peoples,** *page 104*

Ed Hart's 'maverick' style steered Pay Less to profits

By David Vaczek

WILSONVILLE, Ore. — When Ed Hart retires as Pay Less NW's chairman on June 1, the chain will lose the man perhaps most responsible for making it one of the most profitable and innovative in the industry.

Hart, 65, always cultivated "the mavericks," store managers who think independently, he said in an interview with *Drug Store News*. At the same time, he knew he had to limit their authority to usher in centralized buying, accounting and control systems needed by the growing chain.

Such foresight helped produce a

See **Hart,** *page 2*

Walgreens keeps heat on to fend off 'complacency'

By James Frederick

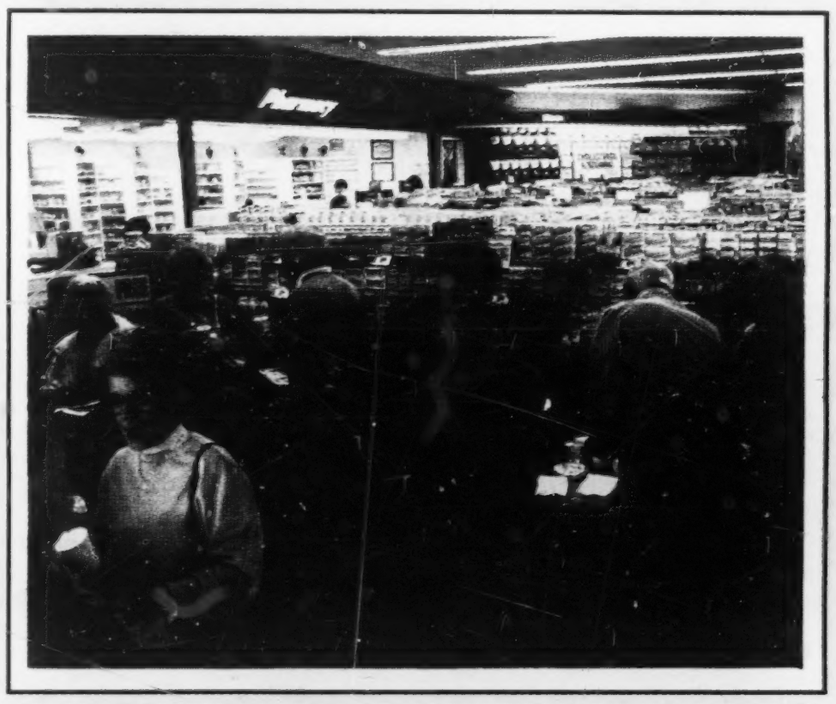
News Analysis

CHICAGO — Walgreen Co.'s two top officers conveyed a simple message to stockholders at the recent annual meeting: We'll keep on doing what we do best to remain the nation's best-run, most profitable drug chain, and we'll be even more aggressive about it than before.

In what has become an annual tradition, Walgreen shareholders turned out *en masse* to cheer the company's past successes and its aggressive programs for future growth. As in past years, chairman and chief executive Charles Walgreen III and president and chief operating officer Fred Canning put on a masterful performance, exhorting shareholders with an enviable progress report, a bright outlook and an oft-stat-

Continued on page 92

Left to right are top Walgreen execs Charles Walgreen III, William Shank and Fred Canning at annual meeting.



New Pay Less prototype counts pharmacy as one of its three key anchors, expecting to fill 150 scripts a day by March. Expanded OTCs are adjacent to main aisle.

Rx, cosmetics, photo anchor Pay Less NW's 'radical' prototype

By Pamela Krein

CAMERON PARK, Calif. — In a radical departure of store format, Pay Less NW has unveiled its new service-oriented drug store prototype here. It is the first of 30 such stores due to open this year, some in a slightly smaller size.

"There is absolutely nothing the same from the past," summed up executive vp Timothy McAlear, who is largely credited with returning the 271-store chain to a clear drug store identity.

Facing an onslaught of large discounters, chain executives felt it was time to prep Pay Less for the '90s by placing more attention on cosmetics, pharmacy/OTC and photo. Each of these anchor categories can be seen by shoppers entering the store, with cosmetics taking center stage.

The store's primary changes and highlights include:

Continued on page 100

LATE NEWS

- TROY, Mich. — Arbor Drugs has shut its 14,000-member prescription drug PPO, Arbor Plus, after a two-year test. Chairman Eugene Applebaum called the PPO "a marketing experiment" that was "marginally profitable," but added that the chain would gain a better payoff by "allocating our resources to additional retail locations."
- SHIREMANSTOWN, Pa. — Rite Aid used half-page newspaper ads in Pennsylvania, Kentucky, Virginia, and West Virginia to advise workers covered by the United Mine Workers of America Health and Pension Fund it won't fill their prescriptions if the fund pursues a plan to cut reimbursement by 20 percent. Rite Aid fills 6 million prescriptions annually for UMWA members *(See related story, p. 3)*.
- TWINSBURG, Ohio — Revco named Joseph McKinney DMM-general merchandise, replacing Dan Horwitz, who resigned *(See story, p. 2)*. McKinney, 39, a Target Stores veteran, joined Revco last spring as head of reorder management.

Special back-to-school coverage

See special coverage, beginning on page 11, for the Back-to-School Merchandise Show running from Feb. 11-13 at New York's Javits Convention Center. Features include an overview of the school-stationery-home office category; effects of a new tariff on Brazilian paper on the U.S. paper market; interviews with home office workers on where they shop for supplies, and why; how an independent drug store operator in Texas makes the most of his school department; and recent stationery product launches.

NEWS IN BRIEF

Horwitz resigns Revco after 28 years

Dan Horwitz

TWINSBURG, Ohio — Veteran retailer Dan Horwitz has resigned as vp/divisional merchandise manager from Revco D.S. to pursue other interests, ending a 28-year relationship with the company with which he began his career.

Horwitz was one of the last long-time Revco executives to remain with the company after the sweeping management changes that followed the election of Boake Sells as chairman in 1987. According to a company source, his resignation was accepted only after top Revco officers had tried to convince the well-known merchandiser to stay.

"Maybe I'll start my own business. Maybe I'll get into the supplier role. But whatever, I need a career change," Horwitz wrote. He also cited the need to spend more time with his family.

As divisional merchandise manager, Horwitz oversaw buying activities for tobacco, candy and snacks, stationery, seasonal goods, photo and other categories, reporting to vp/general merchandise manager Jeff Doshan. Along with Les Haughton, Horwitz was in charge of all merchandising activities for non-pharmacy products.

Ex-Ketchum exec forms consulting firm

NEW YORK — Anthony De Nicola, former senior vp of sales and marketing at wholesaler Ketchum and Co., has formed a consulting firm, A and D Associates, headquartered here.

The new company will provide services and act as communications liaison to clients in the manufacturing, distribution and retail segments of the pharmaceutical industry.

De Nicola, president of A and D Associates, also founded and served as executive director of the Legend Pharmacy Cooperative and the Legend franchise network.

Walgreen lists appointments, openings

DEERFIELD, Ill. — Walgreen Co. has named 21-year company veteran Julian Oettinger to replace retiring William Shank as vice president, general counsel and corporate secretary. Allan Resnick has been promoted to replace Oettinger as law department director.

And in another move, Walgreen held grand opening celebrations for five new stores in Chicago, boosting its Chicagoland store total to 245. "The casual observer might think we have a drug store in every Chicago neighborhood, but we've found lots of fill-in spots," said Chicago regional vp Richard Moyer.

"Plant closing" law now in effect

WASHINGTON — The new federal "plant closing" law has gone into effect as of Feb. 4. The statute at issue requires employers to provide notice at least 60 days in advance of a business closing which will affect 50 or more full-time workers at a single site. Similar warning must be given for layoffs affecting more than 50 full-timers who make up at least one-third of a business' workforce. The law applies to any employer of 100 or more full-time workers or a combination of 100 or more full-time and part-time employees whose aggregate hours exceed 4,000 per week.

FoxMeyer tabs executive & senior vps

DALLAS — FoxMeyer Drug Co. has appointed Mark A. Pulido executive vp and Thomas L. Anderson senior vp and cfo.

"The appointment of Mark and Tom to these new positions essentially completes our management restructuring of FoxMeyer's wholesale drug distribution operations," said Robert L. King, president of FoxMeyer Drug. "By focusing all of our field sales and distribution operations under Mark's direction and financial control activities under Tom, we are better positioned to improve service levels to customers and to achieve a sustainable competitive level of profitability for the drug company."

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Vol. 11, No. 3 Feb. 6, 1989

Sav-on name change set for May; expected to affect 200 stores

LOS ANGELES — At last, Sav-on will be just Sav-on again.

The changeover from Osco/Sav-on to Sav-on in American Drug Stores' West Coast sites is expected to occur between May and July, John Kromer, advertising director, confirmed to *Drug Store News*. The number of stores that will be involved is not yet final, he said, but should include most former Sav-ons and some former Skaggs, raising the total to about 200.

Even though their names will be changed, the stores will still use the central buying services out of Oak Brook, Ill. "This is strictly a name change," Kromer noted. This was affirmed by Michael Holt, head of investor relations, who said that all buying activities will continue to be headquarterd in Oak Brook.

Another source close to the company said the Sav-ons would retain some latitude in local merchandising.

Returning to the Sav-on name in the Sunbelt marks a reversal of Osco's earlier intent to create a national chain of drug stores. Soon after purchasing the Sav-on stores in 1984, the company began changing both the Sav-on store names, merchandise and advertising.

The unifying effort had mixed results because of the chain's varying markets and store sizes. To improve the effort, Osco recruited Dick Scott, then executive vp at Longs, to head up the Osco Sav-on Western region.

Yet this plan also changed, when Osco president Dick George and chairman Scott Bergeson left the chain in September 1988 and Scott was put in charge of the entire company, just five months after his arrival. And just recently the chain's name was changed to American Drug Stores, with both the Sav-on and Osco stores falling under this corporate umbrella, according to Kromer.

Hart finds profits in innovation

Continued from page 1

17-year string of uninterrupted quarterly earnings growth, which continues today. This enviable consistency readied the chain for the expansion push set by K mart after buying Pay Less in 1985. Today, with 271 stores in eight Western states, Pay Less plans over 30 stores a year in 1989 and 1990, spearheaded by the latest format shown in Cameron Park, Calif. *(See related story, p. 1.)*

Twenty years ago Hart became ceo and "took over a chain of very strong managers; almost all were renegades," recalls Ron Schiff, president and chief operating officer; at the time, Pay Less had 33 stores. "He began putting in systems and centralizing. Initially they fought him, but they all loved him for doing it."

Above all, Hart encouraged experimentation. As an example, Pay Less installed one of the industry's first pharmacy computer systems in 1974. The project reflected the corporate culture he sought, and which remains today: to be open to fresh ideas.

Turning 65 on May 20, Hart will be leaving after 40 years at Pay Less, where he began his career as a pharmacist in the Lewiston, Idaho, store. Hart prizes what he calls consideration for people, customers and employees alike, a trait he says began with company founder Peyton Hawes. This approach has led to a climate where employees feel they can speak their minds, even to the chairman, he said.

"I think the greatest satisfaction I've had is having the people know that they can talk to me—tell me their likes and dislikes any time. People don't speak out to be critical, they say it because they're sincere," Hart says.

Ed Hart

'I think the greatest satisfaction I've had is having the people know that they can talk to me—tell me their likes and dislikes any time.'

Hart's rapport with those who "aren't afraid to say what they think" can be traced to his own temperament and history with Pay Less, where he recalls marching to the beat of his own drummer most of the time.

Back in the early 1950s, as the young manager of a Pay Less in Coos Bay, Ore., Hart found a low-cost source for diverted high-end cosmetics and fragrances which the chain wanted for all its stores. He promptly brought in the items, and ran a full-page newspaper ad the next day featuring discounted prices. The move startled headquarters executives, who had just started talking with the diverter themselves, Hart said.

Hart first became a vice president in 1963, was promoted to executive vp four years later, and president six months after that. He reached the ceo seat in 1969 and became chairman in 1980.

During his management tenure, Pay Less merchandising has been marked by aggressive experimentation in product mix and store formats. They've been among the industry's highest grossing outlets, with their large component of general merchandise and a "price-promotion" marketing philosophy. Averaging today 28,000 square feet to 30,000 square feet, each store produces about $5 million in annual sales.

As Pay Less has improved efficiency with more sophisticated systems, and expanded its centralized buying and warehousing, profitability has climbed.

The chain had averaged an 18.9-percent return on equity for the 15 years before K mart's purchase, among the industry's best ratios.

Though Hart is leaving, it is with confidence in "one of the industry's top management teams," with many officers who have been with the chain for decades. Notable among them is Schiff, whom Hart hired 28 years ago to work in the Coos Bay store as a pharmacist trainee and assistant. Schiff has gained exposure since then in all aspects of chain drug retailing as he's followed Hart up the ladder.

"He's probably one of the best mavericks we've ever had," says Hart.

Correction

In a story on Cullum Companies in the Jan. 23 issue, *Drug Store News* misstated the action Cullum took with regard to the two Hypermart USAs it operates in a joint venture with Wal-Mart. Cullum transacted a sale/leaseback of the land and buildings but retained its 50 percent ownership of the venture itself.

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TRENDS

Drug chains feast year-round on back-to-school–stationery–home office volume

School-stationery-home office appears to be a rich feast for drug stores. Merchants see back-to-school as a filling course in August, and home office as a year-round banquet yet to be fully exploited.

With lots of harvesting left, drug chains sold $1.6 billion worth of the category in 1987, up 10.1 percent. That's on top of a 10-percent gain the prior year.

Home office, especially, is challenging the ingenuity of retailers and vendors to realize its potential. Specialty office supply megastores like Office Depot offer product in bulk for small-office consumers, so vendors are helping drug stores compete by offering downsized bulk packs and special displays tailored to their limited space allotments.

Stuart Hall, for example, is introducing "office packs," such as six-pack legal pads, four-pack steno pads, three-pack executive business pads, and packs of 50 clasp envelopes. "For drug stores, it provides a 'happy medium' between single items and the 12-packs that warehouse clubs want, and it tells customers that drug stores are in the home office business," said a company spokesman.

Pegged writing instruments atop a wide assortment of school supplies, plus a spinner rack of binders, add up to a streamlined stationery department in a Drug Emporium.

And Esselte Pendaflex is packing its Colour Collection products in dump displays designed for drug store endcaps.

While many drug chains continue to expand home office space and selection, some retailers are also considering other ways to attract the office supply customer.

For example, Mark Griffin, president of South Dakota-based Lewis–Drug Stores, said he's considering delivering supplies to local office customers. "We have prescription and nursing home delivery service; delivering office supplies could be a natural progression. It's a new niche." The chain already offers in-store accounts and credit card charge services for office supply customers.

"The [home office] market is strong to expand," Griffin continued. "We offer many products offered at office supply stores for considerably less money and are looking to improve our breadth of assortment. We're studying space allocations and getting into bulk—trying to determine how far to go in home office."

Phar-Mor, apparently attempting to compete head-on with the specialty office supply chains, has significantly expanded the home office section in many of its new stores. A Phar-Mor that opened recently in the Tampa, Fla., area, for instance, devotes a full valley—about 108 feet—to office supplies and targets the office customer with flats of bulk items such as legal pads, pens and pencils and computer paper. A blitz of print advertising, including full-pagers of office supplies, heralded the opening.

One competitor in the Orlando market said of a new Phar-Mor there, "The home office section was really im-

Continued on page 22

Vereen Ad Tracking Data

How mass merchandisers advertise stationery-home office category

(Percent of print ads focused on category)

Drug stores	2.0%
Discount stores	2.0
Food stores	0.6

Most frequently advertised segments in stationery-home office

(Percentage November 1988 mass market print ads)

Tape	36.0%
Other	24.0
Writing instruments	10.0
Envelopes	9.0
Markers	6.0
Glue	6.0
Paper	5.0
Legal pads	4.0

Source: Vereen & Associates, Inc., November 1988 Retail Ad Activity

Suppliers, buyers gauge impact of U.S. tariff on Brazilian paper goods

NEW YORK — A 100-percent tariff recently imposed on raw paper and finished paper products imported from Brazil will tighten the availability of paper in the United States this year, sources in the paper industry say. As a result, the price of paper, which has been rising steadily for the past year and a half, will go up more this year, some sources predict.

The tariff "effectively shuts the door to Brazilian paper," said Dan Hoover, vp and general manager of Roaring Spring Blank Book Co. Brazilian raw paper (called roll stock in the industry) and finished paper products accounted for about 5 percent of the U. S.'s paper supply.

Paper prices increased several times last year as a result of such factors as the devaluation of the dollar. Manufacturers are paying about 19 percent more for raw paper for this back-to-school season than at this time last year, Hoover estimated. That may mean an increase of as much as 15 percent in selling prices to retailers this back-to-school season compared with last year's, some sources said.

Back-to-school will be affected more than home office supplies, one vendor said, because the home office demand is more evenly spread throughout the year, whereas "machine capacity and the paper supply come into play in a concentrated period" such as the back-to-school season.

For drug store retailers, the tariff, which went into effect Oct. 29, may translate into increased price points for such items as filler paper. Also, "Counts may go down some, but there are traditional counts [such as 200-count filler paper] that are hard to bounce off of," said one source.

At least one manufacturer is suggesting retailers limit the number of packages per customer as a way to finesse the situation.

"The lack of Brazilian competition is not going to encourage paper and paper product companies to come in with lower prices, and paper will be in shorter supply," said Mark Blandford, school and stationery buyer at K&B. "Pricing will be at an all-time high this year as a result of both factors." Pricing changes may show up more in low-priced goods, Blandford suggested, "because retailers work closer to cost on those. There's more room for absorption on higher-priced goods."

The tighter paper market has sent paper manufacturers, as well as retailers who imported paper products from Brazil, scurrying to find other sources to replace their Brazilian connections.

Although at least one large paper product vendor is known to have lobbied for the tariff, it is mainly seen as a retaliatory tariff, stemming from Brazil's unwillingness to conform to the U.S. Trade Representative's demands concerning pharmaceuticals.

DrSN *sponsors back-to-school seminar at show*

NEW YORK — *Drug Store News* will co-sponsor a panel discussion on "Marketing Update '89: Mass Marketing Back-to-School–Stationery–Office Supplies," to be held Feb. 12 from 8:30 to 9:30 a.m. in Room 1A03 of the Jacob K. Javits Convention Center here during the 1989 National Back-To-School Merchandise Show.

All those coming to the show are invited to attend the discussion, which will include such topics as trends in specific markets, best-performing stationery products in 1988, problems in merchandising stationery and views on using several vendors vs. consolidating supply sources.

Panelists include Dan McAllister, stationery buyer, Kerr Drugs; John Kinzi, director of general merchandising, Drug Emporium; Lance Clark, merchandise manager, Snyder Drug; Larry Fine, vp/divisional merchandise manager, Jamesway; and Steve Appel, chairman, Office World. Moderators are Jay Forbes, publisher of *Drug Store News*, and Fred Filer, publisher of *Discount Store News*, which is co-sponsoring the discussion.

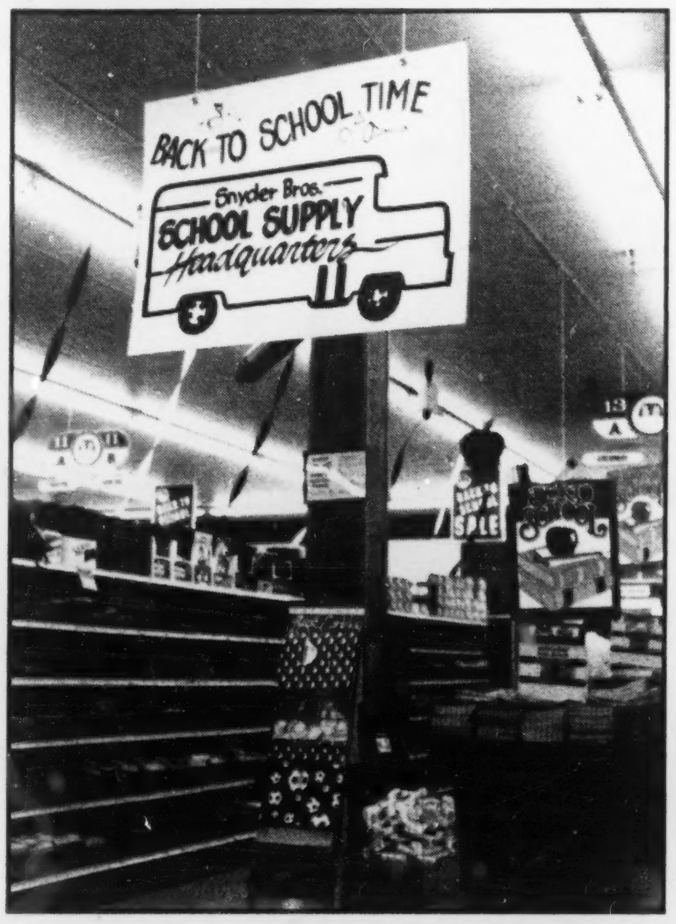
Coffee and pastries will be served from 8 to 8:30 a.m. in Room 1A03, which is on the same exhibit level as the show. Admission is free to registered buyers and exhibitors.

Back-to-school supplies homes year-round

Continued from page 11

pressive. I especially liked their use of clear plastic strips hanging down the front of wire baskets, with a sample of the item stapled to it. It really draws your attention, and customers can see what's in the bin."

Whether such all-out efforts will pay off for Phar-Mor or other drug chains remains to be seen. One executive at a specialty office supply chain said that although operations like his are watching Phar-Mor's progress, "we don't consider them any kind of major competition. We don't even consider price clubs our competition; they have some bulk quantities, but the assortment and variety isn't there and, because they buy on deal, sometimes they have an item and sometimes they don't. Offices want consistency."



Snyder Bros.' store in Minneapolis says back-to-school loud and clear with signage, promotion tables of notebooks and filler paper, a rack of book covers (foreground) and a run of school supplies.

Many drug chains seem to see convenience as their strong suit in home office, and a random sample of consumers who have home offices also have that perception. [*See pp. 12, 21.*] Mathew Kirk, director of merchandising at Maxi-drug, noting that the chain's West Springfield, Mass., store is near a Staples office supply unit, said, "We know they're there and that everybody goes there. We don't go in for the case purchase. I see convenience as our main draw in home office."

Chains also strive to offer as broad a mix as possible. "We've expanded home office and will continue to do so," said Mark Blandford, K&B's school and stationery buyer. "We'll probably add more room and items such as the storage type products this year. Home office in general is good year-'round."

While some chains are still hesitant about offering computer supplies, K&B carries floppy disks ("They do well," said Blandford) and computer paper. "Computer paper hasn't become a factor in the department yet. Based on the numbers, we probably would drop it, but we're hoping the business will evolve. We're keeping computer paper to add to the completeness of our selection," Blandford said.

Rusty Cowart, who operates the Drug Emporium franchise in the Orlando, Fla., market, switched to using a local distributor for the school-home office department before Drug Emporium moved to distributors chainwide.

"I went with a distributor for selection and assortment. We have no back stock, and the department is serviced once a week," said Cowart. "Prices are a bit higher, but we're very competitive in the marketplace, and it's been acceptable to customers."

"We can offer a tremendous variety," he continued. "We had 155 SKUs when we bought direct; now we carry 950 SKUs, and it's going through the roof!" Cowart said the two oldest Orlando-area stores have experienced a 150-percent increase in department sales for the year.

Tax time is a growing season for many chains, including Arbor Drugs. "The tax time season is starting earlier," said Dennis Wozniak, vp-purchasing. He cited planning pads, tax guides, index cards and storage items as big tax-time movers. Arbor launched a new promotion recently, featuring legal and planning pads, portfolio items, planning books, security envelopes and mailers on endcaps as a secondary location. "We wanted to create a mix of everyday strong items and high-margin products," Wozniak said, adding that the promotion generates added business for the high-end goods.

'School supplies has become a fashion business. You have to have the catchy erasers, the 'right' folders, and keep up on who's hot on Saturday morning cartoons.'

"Tax time is getting more attention from vendors and customers," added Griffin of Lewis Drug, which gradually steps up its tax-time advertising from the end of February through the April deadline. "People want to get organized because of the increasing complexity of tax returns. They think they need to be prepared to face the government. Retailers sell organization." The chain carries items ranging from file folders to mini-safes and file cabinets.

Two other segments, mailing supplies and picture frames (which are often near the stationery department), have been surprisingly successful, some chains report. Both Drug Emporium in Orlando and Minnesota-based Snyder Drug praise Intercraft's organizing system for frames. The peggable brackets hold frames upright and, because the brackets can be spaced to hold a particular size frame, the system keeps segment housekeeping at a minimum. Arbor, among other chains, has found the mailing section that it added about a year ago to be a growth area.

Several chain execs noted the growing overlap between the home office and school supply segments. "The entire school department is becoming home office in disguise," said Russ Smith, executive vp of Oklahoma-based May's Drug Stores. The chain will switch from coupon books to circulars for back-to-school this year, because "although coupon books have been successful, you can't generate enough volume with them to really pay off in a segment that has lower price points and margins," said Smith.

Most sources also said the back-to-school season has lengthened, because of the variety of school openings.

"The department is a year-round business, but back-to-school is like a mini-Christmas—it's super business for us," said Griffin, who estimates the chain sells 20,000 200-count packs of filler paper during the period.

But the biggest selling time—as much as 40 to 50 percent of the business—is "the day before, the day of and the day after" school starts, Blandford said, and others agreed.

"Our back-to-school advertising is second only to Christmas," Blandford said, noting that the chain features inserts every week through August. Among hot items for K&B this past year were Mead's Five-Star and Stuart Hall's Advance Super products. "The notebooks with pockets and upgraded covers and backs definitely increased business," he said. K&B did especially well with fashion portfolios and notebooks, and color was decidedly on the upswing.

The chain also saw a renewed interest in cartridge fountain pens. "Sizzle Sticks—that single item generated a lot of interest. And mechanical pencils continued to sell well," he added.

Drug Emporium's Cowart cited three-prong folders, 200-count filler paper , 70-count spiral notebooks, 10-pack pens and glue sticks as the hottest back-to-school items. "Glue sticks were absolutely phenomenal. First- through third-graders were required to have them, rather than liquid glue. We had big displays and sell-throughs every week," Cowart said.

Arbor, which offers 12 to 16 feet of school supplies in its promotional aisle for back-to-school time, in addition to its regular department, has seen a growth in sales of highlighters, roller and metal pens and mechanical pencils.

At Lewis Drug, Bic's Hot Stick, Mead's Sneaks and the wireless notebooks were especially good last back-to-school season. "School supplies has become a fashion business," Griffin said. "You have to have the catchy erasers, the 'right' folders, and keep up on who's hot in Saturday morning cartoons and among singers."

Vereen Ad Tracking Data

Comparison of stationery items' advertised prices

	Size	Sale Price	Chain
Envelopes	100 ct/50 ct	2/1.00	Longs
Envelopes		.59	Osco
Glue	4 oz.	.59	Osco
Glue		.59	Hoc[illegible]s
Legal pads	4-pack	1.49	Rea & Derrick
Legal pads	4-pack	1.49	Peoples
Legal pads	50-sheet pad	2/.99	K & B
Pen set		16.88	Super D
Pen set		14.99	Hook's
Super glue		2/.99	Snyder
Super glue	2-pack	0.97	Revco
Tape	½ inch × 450	2/1.00	Longs
Tape	½ inch × 450	3/1.00	Osco
Mailing tape	2 × 800	1.69	Revco
Mailing tape	2 × 800	1.79	Pay 'n Save

Source: Vereen & Associates, Inc., November 1988 Retail Ad Activity Service

Small chain has Texas-size promo ideas

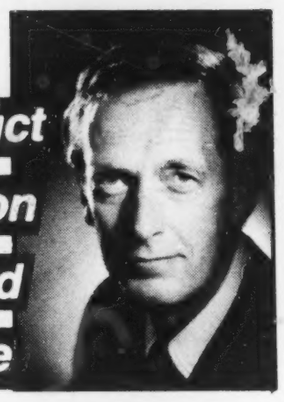
Large drug chains don't have a lock on good ideas.

Look how Bill Swail, owner of Peoples Pharmacy, a three-store operation in Austin, Texas, goes after the school business, using one store's location across the street from a suburban high school and two blocks from a grade school:

- The store has a deli that offers no-fat yogurt and makes its own sandwiches, salads, no-cholesterol popcorn and waffle ice cream cones for hungry high schoolers and secretaries at lunchtime. In winter, hot apple cider is ready for the before-school crowd. (The store opens at 7 a.m.) Toward summer, the specialty is "smoothies," a fresh-fruit slush.
- A "School Supplies" banner is hung across the store's exterior two weeks before school starts. "It does more than newspaper ads."
- He works with school administrators two months before schools open to find out what their students' needs will be. With employee input, he determines what the store ran out of the previous back-to-school period and buys accordingly. "If I have the items everybody else has run out of, customers remember and develop a loyalty. You have to stay in touch with what people are looking for. Big chains can't always do that using computers."
- As a "public relations-type thing," the store sells, at cost, student/parent school directories, published by a local organization.
- Using schools' supply lists, items are brown-bagged, sorted and labeled by grade.
- The store loans teachers free movies, such as classics for English classes and "kiddie movies" for class treats.
- He researches what computers are prevalent among local high school students in order to stock suitable floppy disks.
- He plans to have an artist create a rendering of the local schools' mascots to put on notebooks and such. "They'll be a little bit funky."

TRENDS

Food marketers deal with too many entries



In 1988 product introductions throughout all industries were down from the prior year's record pace. Foods and beverages followed the pattern, although the declines were not significant when viewed against the perspective of the past five years.

For new product marketers the problem is still one of too many, not too few entries. The 5,694 introductions in 1988 represented 13,200 different kinds and sizes. There just isn't room on the shelves for all of them.

Last year's decline is a sign, perhaps, that marketers have become more cautious due to the impact of excessive numbers of introductions and continued high rates of failure, concerns about economic slowdown, and the cost of slotting fees. They are giving ideas more scrutiny early on, doing more testing, and aiming to put fewer, but better new products into the marketplace.

Introductions in 29 out of 76 categories of foods and beverages ran counter to the average downward trend. Among these "winners" there are several whose records of increased introductions reveal a picture of the changing demographics and consumer needs, which are driving product innovation.

With baby boomers now producing their own baby boomlet, new products for babies are up across the board.

In foods generally, there appears to be greater interest in the basics. In 1987 some of the largest relative increases in introductions were for condiments, spices and seasonings, and sweet toppings and spreads: all of them responses to strong demand for more taste and variety in the foods we eat. More recently the action has switched to the center of the plate where added convenience, improved quality and nutritional concerns are the hot buttons.

Changing meal patterns and the prevalence of eating on the run have blurred the old distinctions between meals, light meals and snacks. Snacks, cookies, nuts, and confectionery all still account for substantial numbers of introductions but, with the exception of chewing gum, crackers, and chips, totals were down in 1988.

Beverage introductions declined in 1988 and for the first time in four years the ratio of beverage introductions to total new products also declined. There were signs that marketers may believe that the world now has more than enough bottled waters to choose from. Even coffee and tea marketers, who have been innovating fast to compete with soft drinks, dropped the pace for introductions in 1988. The major constant was soft drinks. Seemingly, our appetite for cold, sweet drinks is insatiable.

Richard Lawrence is president of the Marketing Intelligence Service, Naples, N.Y.

New products by industry 1984-88

	1984	1985	1986	1987	1988
Foods	2,699	2,337	2,773	2,932	2,830
Beverages	570	593	664	651	611
H&BAs	1,109	1,230	1,342	1,631	1,555
Household	306	464	364	367	319
Miscellaneous	228	296	193	293	225
Pets	109	139	107	157	154
Total	5,021	5,059	5,443	6,031	5,694

Source: Marketing Intelligence Service

Booming baby products

	1988 intros	% change vs. 1987
Baby beverages	6	+ 200
Baby foods	19	+ 137
Other baby products	47	+ 37
Total	72	+ 57

Source: Marketing Intelligence Service

New product action in basic foods

	1988 intros	% change vs. 1987
Poultry meals & entrees	60	+ 150
Meat meals & entrees	82	+ 148
Fish meals & entrees	25	+ 56
Other meals & entrees	140	+ 16
Vegetable meals & entrees	16	No change
Total	323	+ 54

Source: Marketing Intelligence Service

Slowing snack introductions

	1988 intros	% change vs. 1987
Chewing gum	19	+ 45
Crackers	51	+ 34
Chips	95	+ 4
Snack bars	21	– 5
Cookies	130	– 12
Non-chocolate candies	79	– 13
Chocolate candies	90	– 24
Nuts	33	– 25
Popcorn	40	– 31
Other snacks	70	– 33
Total	628	– 13

Source: Marketing Intelligence Service

The 5,694 introductions in 1988 represented 13,200 different kinds and sizes. There just isn't room on the shelves for all of them.

Soft drinks sparkle in new beverages

	1988 intros	% change vs. 1987
Soft drinks	89	+ 46
Mineral & bottled waters	39	– 27
Coffee	32	– 22
Tea	53	– 10

Source: Marketing Intelligence Service

Product Updates

New packaging design for beer

Adolph Coors' Coors Original Draft emphasizes the company's leadership in packaging draft beer since 1959. Packaging was changed to coincide with the rollout of the Extra Gold Draft premium brand, to maintain a conteporary and uniform look for all of the company's brands.

Adolph Coors, 311 Tenth St, NH320, Golden, Colo. 80401.

Mints now in changemakers

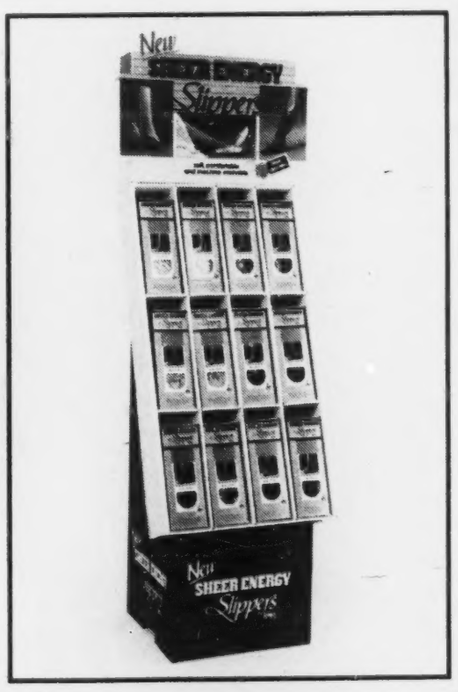
After Eight®, the upscale chocolate mint, is now available in individually-wrapped "changemakers" for counter use in drug stores. The packages come in boxes of 50 or 100, and have SRPs of 15 cents each, or two for 25 cents.

Rowntree De Met's, Inc., 230 W. Monroe, Suite 2738, Chicago, Ill. 60606.

Four new flavors for diet soda

Royal Crown introduced four new flavors to its Dite Rite line of beverages. The company has added white grape, caramel cream, red raspberry and peach to the line. All flavors are salt and sodium free and are 100 percent flavored with Nutrasweet. Other flavors include tangerine, lemon lime, pink grapefruit, and black cherry.

Royal Crown Cola, Gould Center-East Tower, 2550 Golf Road, Rolling Meadows, Ill. 60008.



Slippers program is introduced

L'eggs Products has expanded its product line to include footwear. The massage of Sheer Energy pantyhose is now available in Sheer Energy slippers that relax the feet.

They are made of soft flexible fabric and have a foam-cushioned sole. Three sizes are offered and they come in black, royal, bone and fuschia. SRP is $8.99.

L'eggs Products, P.O. Box 2495, Winston-Salem, N.C. 27102.

FM
FOOD MERCHANDISING
FOR NON-FOOD RETAILERS
Winter

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FM Special Report:

Sharp Teamwork Between Manufacturers, Brokers And Nonfood Retailers Shoot Grocery Category Sales Up 14 % To $18 billion

Features

FM Special Report:

Grocery Sales In Nonfood Stores Were Up 14% in 1988

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Fm is estimating that nonfood grocery sales topped $18 billion in 1988 and will rise another 13% in 1989 to exceed $20 billion.

1988's Best Selling Promotional Groceries

12

Nonfood buyers say seasonal and convenience groceries as well as household cleaners were their strongest selling grocery items last year

Buyer, Manufacturer, Broker Partnership Fuels Sales Growth

15

Grocery buyers for nonfood chains say manufacturers and brokers are sparking grocery sales by being more flexible and by creating programs that meet nonfood's special needs.

Candy Sales Surged In 1988

21

Buyers say their chains are promoting the category more and giving it more prominent locations in their stores.

Consumers Respond To Snacks In Nonfood Stores

29

Buyers estimate sales are up between 15% and 25%. Many chains are expanding into cookies, crackers, popcorn, chips and other high consumption snacking items.

Departments

Food For Thought

Drug and discount chains are romancing candy buyers by discounting high margin theatre packs.

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Drug & Discount Chains Find New Way To Romance Candy Buyers.

Elizabeth Parks

Drug and Discount chains have found a new way to offer their customers a super value on candy: by featuring high mark-up king size candy bars, that movie theatres sell at concession booths, at sharply discounted prices.

According to candy brokers, the strategy first surfaced about two years ago when Walgreens and Osco, both drug chains headquartered in Chicago, began promoting the king size bars that most movie theatre concessionaires mark-up 250% to 300%.

Walgreens may have been the first to promote the theatre packs. Sources say their management took the same bars that the movie houses were marking up by 250%, marked them up just 30% to 50% depending on the occasion, and began promoting them at three or four bars for a $1.

Since then, more chains have been buying the theatre packs, and in the last 12 months, the strategy of offering these particular items at especially low price points has become very intense.

"The candy manufacturers have always catered to the concessionaire market," says one buyer. "But now, they're expanding those packs into the retail trade and it gives us an opportunity to promote a very good value at a price point that actually makes us money."

According to candy broker Don Vogel of Vogel Hoffman in Chicago, the idea for promoting theatre packs at retail evolved through "the ingenuity of retailers and sales reps."

Vogler said that drug chains, in particular, were searching for a candy they could promote at an especially good price point. By marking their candies up 250% to 300%, the concessionaires had created a niche or a void that the drug chains knew they could fill.

Walgreens, for example, began promoting the king size bars at multiples of three or four for a $1. The consumer who had just spent $1.29 for that same bar in a movie house immediately recognized the savings.

Oddly enough, the nonfood trade has been able to exploit its opportunity without worrying too much about banging heads with the food chains.

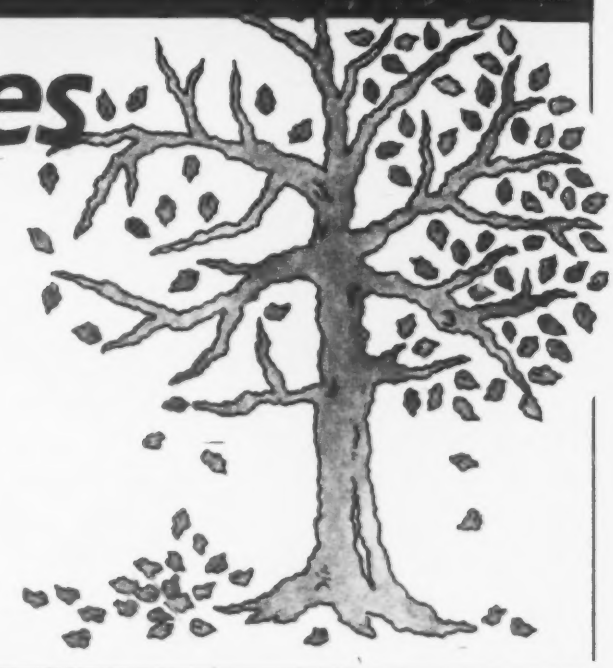
"The food chains are just starting to look at it now," says Vogel. "They've been slower to get into this because food looks at the candy category as basically a profit center. It's something they have to be in, but they don't pay too much attention to it.

"Now the drug and discount stores, on the other hand, use candy as a traffic builder. For them, it's a commodity that can build traffic, and they are constantly trying to change and romance that department."

Some of the romancing can be seen in the way many drug chains merchandise candy in their stores. Walgreens, for example, will often give four to five of its feature tables to in-store candy presentations, and candy controls more end caps in a Walgreens store than any other commodity.

In addition to promoting the theatre packs regularly, Walgreens also carries them at a low everyday retail. Everyday, the theatre packs will sell between 69 cents and 89 cents in Walgreens.

Best Selling Categories of Fall



The chart below lists the best selling categories in food stores for the months of September, October and November.

The rankings are ~~based~~ on a special Sami study tracking seasonality growth trends by category. The categories that made the list had a base index of at least 110 for the three years ending in January, 1988.

Knowing the index makes it easier for food, snack and household supply buyers in drug and mass merchandise stores to identify the categories that will turn the fastest for a planned seasonal promotion.

Foods and Groceries: Best Sellers of Fall
(Average three year index ranking)

September		October		November	
Foods	Index Ranking	Foods	Index Ranking	Foods	Index Ranking
Packaged soft sugar candies	196	Packaged Non-chocolate chewies	207	Canned Cranberries	322
Packaged Non-chocolate chewies	171	Packaged soft sugar candies	203	Baking nuts	309
Fruit Pectin	130	Cider	186	Dates	304
Vinegar/cooking wines	119	Packaged hard sugar candies	150	Cider	251
Canned Meat Spreads	119	Packaged diet candies	145	Packaged chocolate covered fruit	239
Canned sausage/ frankfurters	119	Canned Chili	138	Sterilized milk	221
Packaged hard sugar candies	118	Dates	135	Packaged Novelties	216
Dry Toaster Items	117	Baking Chocolate & Bits	134	Baking Chocolate & Bits	214
Bottled water	117	Tomatoe puree	130	Stuffing mixes	208
Spoonable salad dressings	115	Canned kidney/misc beans	130	Corn syrup	206
Canned Corned beef	113	Canned meat stew	128	Coconut	205
Chocolate candy bars	113	Dry Toaster Items	128	Dry Yeast	205
Canned lunch meat	113	Fruit rolls/bars	126	Canned potatoes	198
Multiple pack gums	113	Bread & Cracker crumbs	125	Pie crust mix	194
Packaged chocolate covered nuts	113	Cereal meal	123	Canned onions	183
Lemon & Lime juices	112	Solid Shortening	122	Canned pie filling	174
Cereal Meal bars	111	Tomatoe paste	122	Packaged hard sugar candies	173
		Tomatoe sauce	121	Brown sugar	172
				Croutons	166
				Packaged chocolate covered nuts	160
Non Foods					
Paper Household bags	144	Rodenticides	163	Heatable Plastic bags & wraps	275
Plastic Storage bags	125	Air Fresheners	120	Disposable containers	194
Laundry soil/stain removers	123	Rug cleaners	119	Fireplace logs & bricks	175
Handle goods	119	Upholstry cleaners	117	Rodenticides	160
Upholstery cleaners	119	Mildew removers	116	Coffee makers	127
Disinfectants	119	Disinfectants	116	Rug cleaners	119
Window cleaners	116	Starches	114	Light bulbs	115
Rug cleaners	115	Furniture Care	112	Dry Cell Batteries	113
All purpose cleaners	114	Laundry soil/stain removers	112	Waxed Paper	110
All fabric bleaches/ detergents	114	Handle goods	111		
		Light Bulbs	110		
		Disposable Containers	110		

Source: Sami Seasonality Study

Grocery Sales Are Up in Nonfood Stores

Sales last year surged 14% to over $18 billion. Buyers say more promotions and manufacturer/broker cooperation are key factors

Nonfood chains say their best selling groceries are commodity items like tuna and coffee.

Grocery product sales in nonfood stores were up an estimated 14% last year, according to Fm's estimates.

An analysis done exclusively for Fm by Malcolm Knapp Inc. shows that grocery product sales to drug, discount and wholesale club stores rose 14% to about $18.3 billion last year.

This year, Fm is projecting that sales will go up at least another 13% to over $20 billion.

Much of the growth is coming from the sales of promotional groceries. Except for Walgreens in the chain drug industry and K mart and Wal-Mart in the discount industry, most of the major drug and discount chains have slowed down their expansion of convenience or dry packaged food departments.

For this past year, most of the drug and discount chains have been concentrating more on their core businesses. The drug chains have been investing more time and energy in their core categories of pharmacy, hba, cosmetics, etc., and the discount chains have been concentrating on building their image and improving their presentations of clothes, appliances, and other gm categories.

"Convenience foods is still an area we're interested in," said a source for one of the major discount chains, "but for the time being we're concentrating on other things. We're using foods primarily as a traffic builder and impulse sales generator."

With the exception of Walgreens, which now has about 550 stores with convenience food departments, most chain drug buyers are also concentrating more on promotional groceries this year.

Their strategy, they say, is to carry the convenience, high consumption items that people either seek out when they're on ad or buy impulsively when they see them displayed at a good price.

Many buyers for drug and discount chains tell Fm that they have promoted groceries much more ag-

Grocery Sales Trends in Membership Warehouse Club Stores
(retail sales millions)

Category segment	1982	1985	1986	1987	1988	1989
Packaged Groceries (excludes snacks)	$122	$1,526	$2,802	$4,203	$5,181	$6,201
Packaged Alcohol	13	174	327	490	603	721
Paper Goods	11	153	288	444	564	675
Soaps/Household cleaners	12	157	296	449	560	670
Pet Foods	6	80	154	239	304	376
Total Sales	164	2,090	3,867	5,825	7,212	8,643

Source: Malcolm Knapp Inc., New York

gressively this year than in prior years.

Most say they have a two-fold objective for staging more grocery promotions. They're using them to build traffic, "to attract more shoppers into our stores" and they're using them to generate additional impulse sales.

Both the drug and discount chains are about equally as aggressive with grocery promotions these days, but the discount chains prefer to advertise large sizes, and because they have bigger stores, they also give more feature space and more display space to traditional packaged grocery items like cereals, canned meats and fish, soups, condiments, jams and jellies, etc.

Discount chains also give more space to household cleaners, pet foods and beer, wine and alcoholic beverages.

Snacks are one of the nonfood chain's strongest grocery categories. Most chains are expanding this department.

Grocery Sales Trends in Discount/General Merchandise Stores
(retail sales millions)

Category segment	1982	1985	1986	1987	1988	1989
Packaged Groceries (excludes snacks)	$3,132	$3,461	$3,466	$3,301	$3,342	$3,571
Packaged Alcohol	426	717	825	874	985	1,058
Paper Goods	154	263	294	317	355	427
Soaps/Household cleaners	79	103	110	112	120	128
Pet Foods	52	84	94	97	114	140
Total Grocery Sales	3,843	4,628	4,789	4,701	4,916	5,324

+ Discount stores account for approximately 56% of the above total sales. The rest is generated by department, variety and miscellaneous general merchandise stores.

Source: Malcolm Knapp Inc., New York

Drug stores, on the other hand, give more space to what many buyers call "convenience" groceries, those traditional items that people can use to help prepare "a meal in an instant."

Many buyers say that after years of experimenting with groceries, they are winnowing out the winners from the "dogs."

In all channels of nonfood distribution, drug, discount and warehouse clubs, buyers say they prefer to stock high consumption items like candies, snacks, juices and soft drinks, as well as convenience items like Vienna sausages, olives, cereals, tuna, packaged side dishes like Rice-A-Roni, or canned meals like Chef Boy Ar Dee spaghettis and raviolis, etc.

In the discount industry, K mart and Wal-Mart are still the most aggressive merchandisers of groceries, both everyday and in their ads. Zayre's has cut back on packaged groceries this year, but the chain is still strong on their traditional grocery categories, such as candies, snacks and household cleaners.

Target is also still strong with the candy, snack, beverage and cleaner categories and Venture is continuing to build its base of traditional candy, snack, beverage and cleaner sales as well as to promote packaged groceries and pet foods.

A K mart source says foods are starting to find their "natural niche" in mass merchandise stores. He says they fill a need for drawing customers into a store on a regular basis, plus they can be profitable when they're bought on deal and carried for as long as supplies last.

"When we advertise a food item in our circular," he said, "it's for a seven-day sale, and we'll take a very competitive price to build traffic.

"But we may decide to do two ads on that item. One at the begin-

Grocery Sales Trends in Drug Stores
(retail sales millions)

Category segment	1982	1985	1986	1987	1988	1989
Packaged Groceries (excludes snacks)	$1,244	$1,708	$1,859	$2,019	$2,181	$2,354
Packaged Alcohol	1,186	1,627	1,761	1,915	2,078	2,243
Paper Goods	492	861	981	1,176	1,360	1,524
Soaps/Household cleaners	254	335	362	392	430	467
Pet Foods	32	53	59	67	85	100
Total Grocery Sales	3,208	4,584	5,022	5,568	6,134	6,688

Source: Malcolm Knapp Inc., New York

Buyers describe groceries as an "opportunistic" category, drawing more customers into the stores & capturing sales.

Grocery Sales Trends in NonFood Stores
(retail sales millions for drug, discount & warehouse clubs)

	1982	1985	1986	1987	1988	1989
Total Grocery Sales	$7,215	$11,302	$13,678	$16,074	$18,262	$20,655
% change	6%	n.a.	21%	18%	14%	13%

Source: Malcolm Knapp Inc., New York

ning of the deal period when we're looking to build traffic, and then an ad at the end of the period, when we want to sell through whatever quantity we have left.

"In between, we take a slightly higher mark-up and even though, we still offer a very good price, we can make a good profit for the period between the two ads."

In the chain drug industry, retailers like Peter Agostino at Eckerd, Jim Muir at Dunaway, Andy Horn at Harco, Clarance Archer at Dot and Paul Desjardins at Welby, all report their sales of promotion-

Grocery's Share of Discount Store Sales

Segment	1977		1982	
	All stores	Stores with grocery products	All stores	Stores with grocery products
Packaged Groceries	3.4%	4.2%	2.6%	3.7%
Packaged Alcohol	0.2%	2.1%	0.4%	2.2%

Data on paper goods, soaps/household cleaners and pet foods is not available.
Source: Malcolm Knapp Inc. & Census of Retail Trade 1977 and 1982 Merchandise Line Sales

al groceries are growing, usually at double digit rates and on some items, like a Gatorade, which has had what buyers and brokers call "a phenomenal year," up 50% or better.

"There is strong growth in grocery," says Agostino, the senior buyer of convenience foods for Eckerd Drug, "but it's there for the right items. You can't just put in anything."

"Our promotional grocery sales are growing," says Clarance Archer, VP of Wal-Mart's Dot Drug chain, "but that's because we're carrying the things that people use everyday: cereals, peanut butter, juices, canned meats, tomatoe sauces, spaghetti's, applesauce. These are all good convenience items that bring people back in."

"We're buying more promotional groceries," says Jim Muir at Dunaway in Georgia, "but it's also because I feel more confident about the category. I'm able to weed out the slow movers and I know what works for us."

"Groceries are doing real well for us," says Andy Horn at Harco. "We buy on deal as much as possible, and we try to get high consumption items: peanut butter, bar b q sauce, ketsup, things like that."

"We cut back on our convenience assortment," says Paul Desjardins at Welby in Maine, "but we did it to improve turns. Our sales are still going up because we're promoting groceries more and we've cut out all the dead items."

As far as most buyers are able to say right now, the future for groceries in nonfood stores is still quite bright.

As Andy Horn puts it: "Food will have to be more important to the nonfood chain. As the grocery, drug and discount chains start to look more and more alike, we're all going to be trying to draw traffic from each other. The grocery chains moved first by putting in pharmacy and hba to draw traffic from us. Now it's just natural for us to put in groceries to try to draw traffic from them."

"Having these products in our stores tends to enhance our convenience image with our customers," says Peter Agostino at Eckerd. "And we find we don't have to have a large assortment. If we carry the right brands in the right categories, we do well, and our stores benefit from the added traffic."

SAMI pegs food and drug leaders — Page 4

Merchandising in college towns — Page 39

To warn, or not? Rx'ers dilemma — Page IP21

SECOND CLASS

DRUG STORE NEWS

Vol. 11/No. 4 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Feb. 20, 1989

Photo: *Discount Store News*

Joint K mart-Bruno's hypermarket conveys value with service and everyday low prices on brands.

K mart-Bruno's American Fare storms Atlanta

By James Frederick

STONE MOUNTAIN, Ga.—The hypermarket phenomenon has hit the Atlanta market with a bang, as K mart and Bruno's unveiled their first American Fare in this suburban town northeast of the city. The opening culminates more than a year of effort by the discount and supermarket chains to jointly develop a hypermarket prototype for markets around the U. S.

A second American Fare will open in Charlotte, N. C., late this year, K mart officials said.

In Atlanta, a massive advertising blitz in the weeks prior to the opening drew

See **American,** *page 93*

SDM's Binder: We consolidate in '89

New president eyes ops

By Susan Ball

TORONTO — Shoppers Drug Mart's newly appointed president, Herbert R. Binder, said 1989 will be a year of consolidation for the 613-store Canadian chain.

Coming off a period of rapid expansion and "the best year we've ever had," the chain will focus in operational directions "so that each store will maximize its profitability," Binder said. "That's not to say we won't still acquire and expand, but it will be at a slower pace in '89. We think there's more potential for each store—that we can get more from what we have. We want to step back a bit and see how to achieve that."

Characterizing 1988 as "an extremely active acquisition year"—of the 45 new stores opened in the 11 months ended in November, 37 were acquisitions—he said, "We have a lot of new people in our system, and we have to help train them" at SDM's training unit, the "Koffler Academy," named after the company's founder.

Herbert R. Binder

SDM will also focus on "better use of capital," Binder said, noting that about 40 percent

See **Binder,** *page 93*

Peoples cites stores making biggest gains

Streamlined chain eyes the future

By Al Heller

News Analysis

NEW YORK — When progress isn't good enough, and quicker advances are needed, tough compromises have to be made.

For David Bloom, ceo of Imasco Drug Retailing Group, and David Eisenberg, chief operations officer of Peoples Drug Stores, the executive decision to sell 325 Peoples stores in three states came well after the chain's turnaround was under way. A broad range of improvements in operations and merchandising had already taken hold and brought promise—but the numbers crunchers prevailed.

"We were saddened to have to sell valuable assets, which in the long term would have been solid contributors to our success," Bloom told *Drug Store News*. "It was a difficult decision to make because we have such confidence in our people. But in the short term, this is absolutely the right de-

See **Peoples,** *page 93*

LATE NEWS

- PONTIAC, Mich. — Perry Drug Stores officials said they knew of no reason for a rapid surge in the company's stock price in early February. Amid speculation that the company was in play, the company's stock price rose 3.5 points, to $11, on Feb. 8. Spokesmen for Rite Aid and Walgreens, thought to have an interest in the chain, had no comment.
- NEW YORK — Walgreens said "We're looking at that area of Manhattan," when asked about a *New York* magazine report that they were a potential tenant for May's Department Store's shuttered flagship store at 14th Street and Broadway, being subdivided for new tenants. It would be Walgreens' second Manhattan store.
- COLUMBUS, Ohio — Drug Emporium said it has sold its minority interest in Nortex, its 11-store Dallas franchisee, back to the unit in a $1.4 million cash deal. Proceeds from the sale would be reflected in results for the fourth quarter, ending Feb. 28, the chain said.

Arbor looks beyond its home market and heads north in expansion push

TROY, Mich. — Continuing its drive beyond its home market in southeastern Michigan, Arbor Drugs will push northward this year with the opening of its first stores in Saginaw and Midland.

The 83-store chain will open two units in Saginaw and one in Midland before the end of its current fiscal year July 31, 1989, said chairman and chief executive Eugene Applebaum. Two new units will also open this year in the Lansing area, which Arbor cracked for

See **Arbor,** *page 93*

'Consumers in these new markets are already familiar with Arbor through our advertising.'

— Eugene Applebaum
chairman, ceo

NEWS IN BRIEF

Revco names top pharmacy execs

TWINSBURG, Ohio — Revco D.S. has hired Brooks Drug veteran James Rotsart as vp-professional operations, and named longtime pharmacy executive Al Sebok to the new post of vp-professional relations.

Rotsart, 36, will head up the operation and professional standards of all Revco pharmacies, and will report to executive vp-stores Carl Bellini. He last served as vp-pharmacies for Brooks Drug's 358 drug stores, and spent the first nine years of his career as a store manager, pharmacy supervisor and divisional merchandise manager of pharmaceuticals for CVS.

Sebok, 57, has been with Revco since its acquisition of Standard Drug in 1961, holding numerous positions in pharmacy and store operations. In his new post, he will act as liaison with government agencies and NACDS, as well as pharmacist recruiting and the formulation of policies and programs. He will report to Rotsart.

Thrifty operating income jumps 35%

LOS ANGELES — Aided by its acquisition of 147 Pay 'n Save and Bi-Mart stores last June, Thrifty Corp. reported a 35 percent increase in operating earnings for fiscal 1988, to $66 million. Sales for the chain drug division of Pacific Enterprises were $2.4 billion for the year, a 30 percent hike over prior-year levels.

Same-store sales for the period rose 5.6 percent.

As of the end of the fiscal year on Nov. 30, 1988, Thrifty operated a total of 1,039 drug and sporting goods stores.

Employee benefits provision hits snag

WASHINGTON — At least two bills have surfaced on Capitol Hill which would repeal or delay enforcement of a controversial provision of the new tax law designed to curb discrimination in distribution of employee benefits.

At issue is "Section 89" of the tax code which is designed to determine if drug chains and other employers are allocating company benefits, such as health and life insurance plans, fairly among all eligible employees.

Specifically, the law requires an employer to conduct a series of complex tests to determine if executives in high income brackets are receiving more benefits than workers earning lower salaries. Furthermore, if discriminatory benefit patterns are uncovered, the employer must report the amount of excess benefits to the Internal Revenue Service. Employees who received discriminatory amounts would then be taxed on the value of the excess benefits. If the employer fails to report the discrepancies, he may also face I.R.S. penalties.

"No regulations have been issued to provide definitions and guidance for employers," said Rep. John J. LaFalce (D-N.Y.). The New York Democrat introduced a measure to repeal the employee benefit tax provision, arguing that "the extreme complexity of Section 89's testing requirements, the costly administrative burden it imposes and the lack of any formal guidance from Treasury makes it very difficult, if not impossible for employers to comply with the law."

The complicated tax provision has drawn strong opposition from business groups, including the National Association of Chain Drug Stores.

Salary, bonuses, perks still count: study

NEW YORK — Labor shortages and increased competition make it harder to keep the best employees. In order to stem manager turnover, retailers are using a variety of methods to evaluate and compensate store managers and assistants, according to a study by Big Eight accounting firm Touche Ross.

Base salary, bonuses and perquisites are the primary forms of compensation for store managers, the study showed. The poll results indicated that a manager's ability to attain company goals and standards will become more important in evaluating total pay and salary increases.

Bonuses, awarded by 75 percent of the companies polled, play a big role in determining manager compensation. Perquisites accounted for manager compensation in 26 percent of the companies polled. Commission compensation was an unpopular method of compensation.

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Vol. 11, No. 4 Feb. 20, 1989

Betty and Jim Evans of Evans Drug, Enid, Okla.

Alan Hamm, Town & Country Drug Stores, Ft. Worth, Tex. (left) with Paul "Ed" Matteucci, Drug Fair NW, Great Falls, Mont.

Keith Lumpkin, Horton & Converse, L.A. (left) with Jim Mastriani, Arthur Drug Stores, Hartford, Conn. and Gary Spielfogel, Austin Drugs, East Meadow, N.Y.

Bill Eames, Bill's Drug, Benicia, Calif. (left) with Ronald Ransdell, Thrifty/White, Minneapolis.

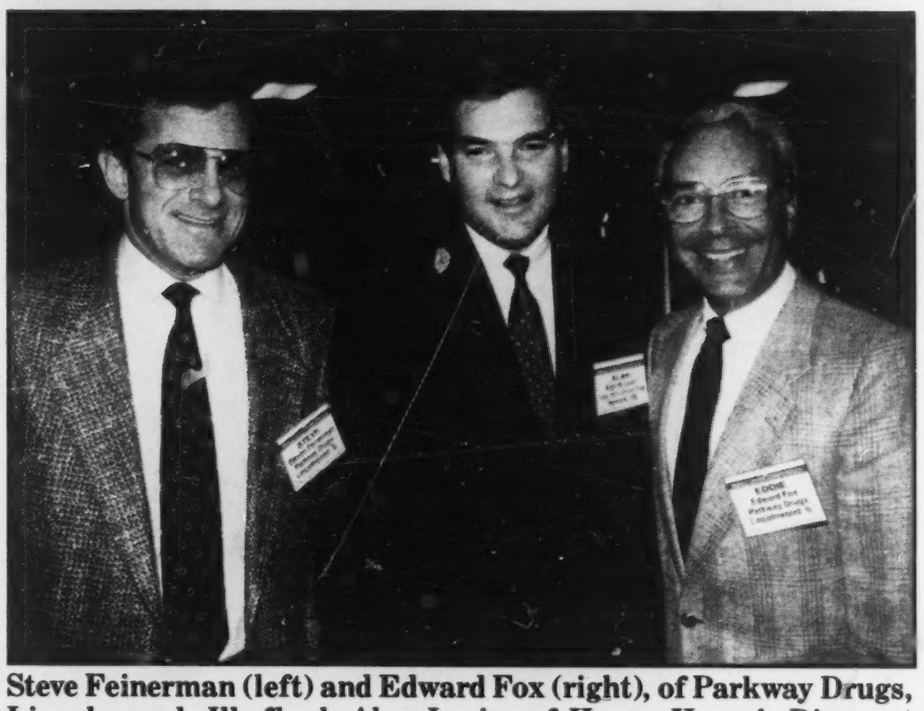
Hot Rx issues aired at NACDS small chain meet

SAN DIEGO — Several hot pharmacy issues took center stage at this month's NACDS Annual Small Chain Conference.

Many of the 65 retailers in attendance voiced concern over discriminatory pricing, third party freedom of choice and implications of Medicare's catastrophic health coverage insurance.

Retailers also spoke of ways to improve customer service and eroding margins.

Still, most are expecting a steady business environment through the rest of 1989. Executives forecast sales gains as high as 10 percent, and are buying in accordance with those expectations.



Steve Feinerman (left) and Edward Fox (right), of Parkway Drugs, Lincolnwood, Ill. flank Alan Levin, of Happy Harry's Discount Drug, Newark, Del.

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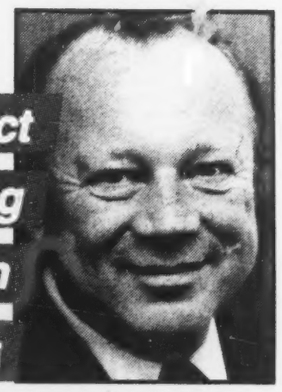
SPECIAL SAMI REPORT

Share differences seen for H&BAs in food and drug stores



Throughout the year this space has explored differences between food and drug stores, and examined variations between markets. Our exhibits this month compare size and trends, in food vs. drug stores, of the top 10 categories in annual retail volume for the year ended Dec. 2, 1988.

For this special analysis we've included the 52 H&BA categories which SAMI has tracked on a long-term basis, plus we've added two new categories for which more than a year of data are available: personal lubricants and home testing kits. We also added formula baby food, plus five paper product categories which are often associated with the H&BA department (adult incontinence products, disposable baby diapers, moist towelettes, sanitary napkins and tampons).

The accompanying table identifies the 10 H&BA product categories with the highest annual retail volume as of Dec. 2, 1988 in food stores only, drug stores only and food and drug outlets combined. The 52-week trend in dollars is shown for each category, as is the national dollar share level of the leading brand.

Only five of the top-ranking product categories fall into this select group in both food and drug stores: internal analgesics, toothpaste and powder, shampoo, cold remedies and antacids. In the case of the top two volume categories of H&BAs in food stores—disposable baby diapers and formula baby food—the food share of both outlets combined is more than 90 percent. Food stores account for more than 60 percent of the combined volume among sanitary napkins (75.2 percent), mouthwash (64.1 percent), cough remedies (56.7 percent), synthetic vitamins (62.5 percent) and hair coloring (73.1 percent).

Among the five categories which are common to both the food and drug store "hit parade," the leading brand in each instance has a higher share level in food stores. The best-selling internal analgesic enjoys an annual dollar share nearly five points higher than the drug store showing (33.0 percent vs. 28.1 percent). The differential is three full share points in the cold remedies category, but the leading brand is not the same in the two outlets. This latter finding also applies to the shampoo category, where the number-one brand in food stores is not the leader in drug stores.

Among antacids, the best-selling brand has a share of 19.2 percent in food stores whereas in drug stores there is a tie for first place between two brands commanding a share of 11.9 percent.

The sales movement trends also differ for food vs. drug stores in most instances, although not dramatically during the 52-week period under scrutiny. In the case of internal analgesics, the dollar growth rate in both outlets is +7.9 percent and the increase is close among antacids: +8.0 percent in food stores and +8.6 percent in drug stores. Shampoo gained 1.6 percent in food stores but incurred a minor loss of 0.2 percent in drug stores.

Five of the 60 H&BA product categories tally $1 billion or more volume in food and drug stores combined. The highest volume is the $2.4 billion for disposable baby diapers followed by $1.9 billion for internal analgesics.

Readers wishing a copy of the rankings for all 60 H&BA categories for food store, drug store or both outlets combined, may obtain a copy by sending a request (written on company letterhead and signed by a company executive) to: *Warren Spence, vp H&BA Marketing, SAMI, 55 Greens Farms Road, Westport, Conn.* 06880.

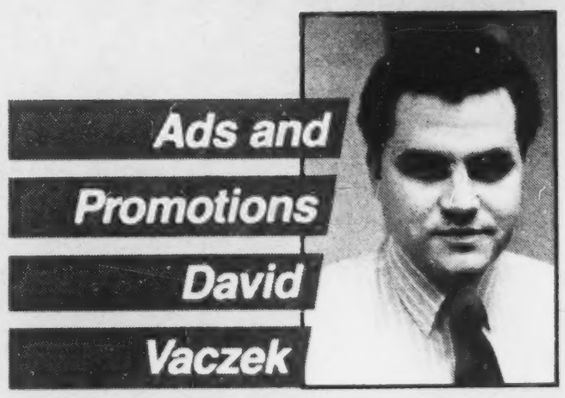
Top 10 H&BA categories in all 54 SAMI markets combined

(Year ended Dec. 2, 1988)

Rank	Category	52-Week Dollar Share Of The Leading Brand In Category	52-Week Change In Dollars
	Drug Stores Only		
1	Internal Analgesics	28.1	+ 7.9
2	Cold Remedies	8.3	+ 6.6
3	Eye Care Products	14.9	+ 6.9
4	Antacids	11.9	+ 8.6
5	Laxatives & Stool Softeners	22.3	+15.8
6	Cough Remedies	16.9	+ 6.9
7	Shampoo	8.3	− 0.2
8	Synthetic Vitamins	7.7	+ 0.1
9	Hair Coloring	12.8	+ 4.0
10	Toothpaste & Powder	16.4	+ 0.3
	Food Stores Only		
1	Disposable Baby Diapers	23.8%	+ 1.4%
2	Formula Baby Food	35.9	+ 9.8
3	Internal Analgesics	33.0	+ 7.9
4	Toothpaste & Powder	17.9	+ 3.3
5	Shampoo	10.1	+ 1.6
6	Cold Remedies	11.3	+10.4
7	Sanitary Napkins	17.2	− 7.8
8	Antacids	19.2	+ 8.0
9	Mouthwash	25.2	+13.0
10	Stick Deodorants & Pads	20.3	+ 6.6
	Food & Drug Stores Combined Ranking		
1	Disposable Baby Diapers		
2	Internal Analgesics		
3	Formula Baby Food		
4	Cold Remedies		
5	Shampoo		
6	Toothpaste & Powder		
7	Antacids		
8	Sanitary Napkins		
9	Eye Care Products		
10	Cough Remedies		

Source: SAMI

FoxMeyer's franchise program adds VISA



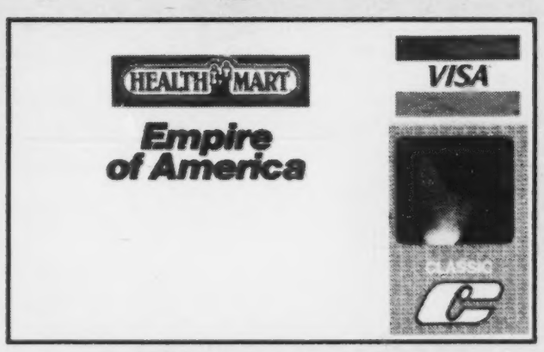
FoxMeyer's Health Mart franchise division has launched what seems to be a no-lose program for its expanding network of stores. It's introduced the Health Mart-Visa credit card, an affinity card program which links the franchises with the national credit card company.

One of the program's key benefits to the franchisee, in fact, is the "halo effect" derived from having a joint card with the big credit company, notes Bruce Kneeland, vp-franchise sales.

Issued through the American Federal Savings Bank of Buffalo, N. Y., the card lets the customer know their Health Mart store is big enough to work with VISA. That link is reinforced each time the card is advertised, as it was when VISA first direct-mailed membership offers to stores' customers in October. And the Health Mart program (now with 511 stores in 26 states) is promoted every time the card is used.

So far, 3,200 cards are being used, against a goal of 10,000 cards in 18 months. Once that is reached, Health Mart may opt to insert stuffers, such as private label coupons, into the VISA billing statements and direct mail pieces.

Consumers are courted with a 13.9-percent annual rate. Many customers are expected to transfer credit balances from the store's own credit program, which would relieve the accounts receivable burden. Stores can receive payment on charges from the bank in less than a week.



FoxMeyer's Health Mart-Visa card helps advertise the Health Mart franchise program.

Franchisees incur a 1.5- to 3.5-percent transaction fee, which is expected to be offset by reduced receivables and protection from customer default.

The banner, button, and brochure-advertised card draws consumers into the store and helps them buy more, "a classic pull rather than push" marketing program, says Kneeland.

Giant pledges RX safety Giant Foods, one of the grocery industry's most aggressive pharmacy marketers, is emphasizing its Profile prescription safety service.

Since September, the East Coast chain has advertised Profile and its Giant Discount Drug pharmacies in a campaign that quotes Giant pharmacists on how they handle drug interaction issues. It has run on television and radio and in newspapers covering the Washington, D.C. and Baltimore markets, a company spokesman said.

Pharmacists are quoted about how they've handled specific drug interaction cases in the program, which advertises Profile as a free service that uses the APhA-endorsed drug interaction database.

TRENDS

Mini-labs strengthen drug chains' photo business

Drug chains are leading a wave of experimentation among mass marketers with mini-labs. Following the lead of Eckerd, which today has 126 labs in Florida and Texas stores, chains such as Longs, Genovese, SupeRx of Phoenix, Pay Less NW and Standard Drug are testing installations in select stores.

King Soopers, Denver's combo juggernaut, opened its first mini-lab in January. Mini-labs will be in Jewel-Osco's first Florida stores, the first of which will open in Largo in March. Such experimentation by combos follows the lead of Meijer's Thrifty Acres, which has operated them in its Midwestern super stores for some years now.

The current push by mass retailers is expected to increase the presence of mini-labs. For example, Kodak estimates that mass merchants will account for 17.3 percent of mini-lab film exposure volume in 1990, and 27.3 percent in 1995.

Overall growth is expected to slow from the explosive pace of the past eight years, but will likely reach double digits, the Photo Marketing Association forecast in a recent study. About 15,800 lab installations were forecast for the end of 1988, 18,000 by the end of this year, and 20,100 by year-end 1990.

Arbor makes its photofinishing statement through free double print program, dubbed Picture Picture.

On-site mini-lab enables Consumers Markets, combo operator in Missouri, to appeal to time-pressed consumers.

Overall growth is expected to slow from the explosive pace of the past eight years, but will likely reach double digits.

Drug chain merchandisers report early successes, with mini-labs exceeding their performance targets. Executives view the mini-labs as a viable way to reinforce the image of drug stores as outlets for photographic products and processing. As consumers shoot more film, strengthening this premise becomes even more important.

There is also new technological promise from the makers of mini-labs, such as Noritsu, Fuji, Copal, Kodak and Print Technology. New units are more automated, more efficient and easier to use.

Yet chain drug executives responsible for photofinishing see key challenges ahead—not the least of which is ample staffing and training to assure that skilled people are available to operate the mini-labs.

"We knew we wanted to be in the business as long as it was profitable for us. It adds a new dimension to the drug store," Tommy Thomas, SupeRx Drug's vp-marketing, told *Drug Store News*. SupeRx launched its first lab in Phoenix a year ago, and now has two.

SupeRx found when it changed from a two-tier to three-tier pricing structure—offering a choice of same-day processing, one-hour and next-day service—that volume rose significantly. Same-day was the most popular, Thomas said.

"The pricing isn't the issue. It's the quality, store hours of operation, and the way you service the people," he added.

His toughest challenge has been training. SupeRx brought in a lab expert to run the program. He programs the lab computers, oversees training and maintains contact with the supplier.

Success in the initial store has given birth to rollout plans for three to five new sites a year in affluent neighborhoods, and near business parks and resorts.

King Sooper's first lab went in Jan. 8. "We saw this as an opporutnity to capture more of the [photofinishing] market, and extend our one-stop shopping concept," said Pat Greaser, director of general merchandise. Greaser uses the lab strictly for one-hour processing with other needs handled by wholesale processing.

He's assessing the labor pool along with this effort because "you have to have a training program to absorb turnover. We offer benefit packages better than the independent [mini-lab] operators," Greaser noted.

Genovese also feels a major concern will be retaining enough qualified people—two-and-a-half full-time equivalents per store—to operate the mini-lab 84 hours a week, Don Gross, vp-marketing, told *Drug Store News*.

The New York chain of 89 stores has so far installed three mini-labs, one of which is in a photo retail store at its photo processing plant. Another is in a mall store, with the lab by the front

Continued on page 19

Revco's new film counter uses assisted self service to speed sales of film and film development. Customers may either drop envelope with exposed film in slot or ask for help from checkout clerk. Finished print orders are stored alphabetically behind the counter. Development prices and schedules are posted conveniently on wide, glass-topped counter.

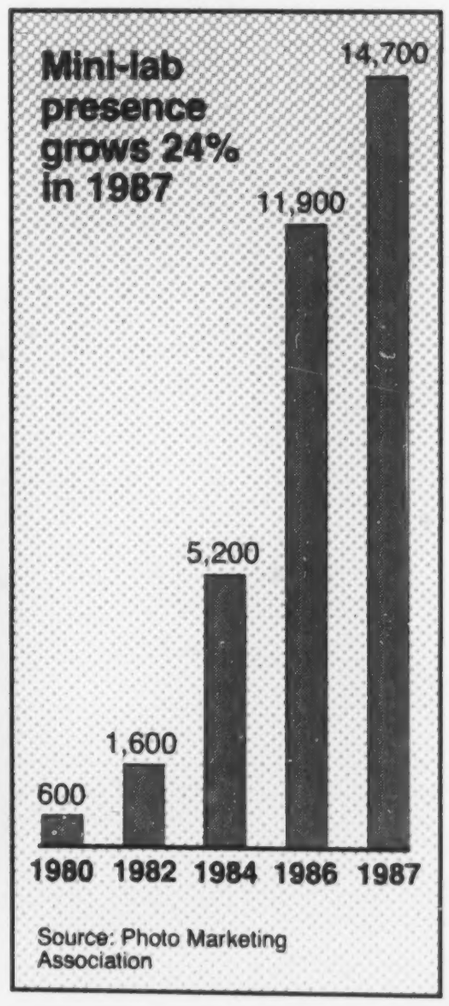


Photo merchandising TRENDS

Chains often promote cameras, film and accessories together to emphasize their commitment to the category. Camera prices are almost always kept under $100, and 35 mm models are regularly featured, as in Thrifty's ad. But the 110 format remains strong, and Walgreens and Genovese were among those recently promoting 110 cameras by Vivitar and Kodak. Eckerd pushes discount coupons on photoprocessing, along with a four-camera selection of 35s from Canon and Keystone. Peoples puts out a varied offer.

Drug stores are the second-leading outlet for film purchases

(Where consumers said they bought film in the 12 months ended Dec. 1987; percentage of total response*)

Discount store	**66.4%**
Drug store	**56.7**
Supermarket	**41.4**
Camera store	**16.1**
Department store	**14**
Giant combo store	**13.7**
Convenience store	**13.6**
Mail order	**8.9**
Other	**27.9**

*Numbers total more than 100 due to multiple responses

Source: 1988 Consumer Photographic Survey, by the Photo Marketing Association and *Photo Marketing Magazine*.

Mini-labs

Continued from page 17

window for extra visibility. The mini-lab could become an anchor for a consolidated photo department which makes a stronger statement, Gross said.

Industry observers expect that smaller and easier-to-use labs being introduced, along with the "washless" technology, which makes leasehold improvements less necessary and labs more mobile, will fuel brisk growth.

Costs and space needs are coming down. On average, a 45-square-foot lab that processes 40 rolls an hour cost $100,000 seven years ago; today that lab is 22 square feet and costs $50,000.

"A lot of merchants have realized they want to be associated with the business; doing out-lab work isn't enough," says Joe Welsh, Fuji's product manager, photo finishing equipment, consumer products division.

Compact Counter Display Pack (12s) takes only 2½" of shelf space.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
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P.O. Box 812-A, FDR, NY, NY 10150

With a 10-year warranty our styling had to be ahead of its time.

ANSCO is setting new industry standards, guaranteed to satisfy camera customers well into the future.

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Accompanying this bold new ANSCO look and warranty is an advertising program developed to motivate millions.

Of course, our intensified commitment to retailers still features excellent profit margins, popular price points and your choice of high impact packaging.

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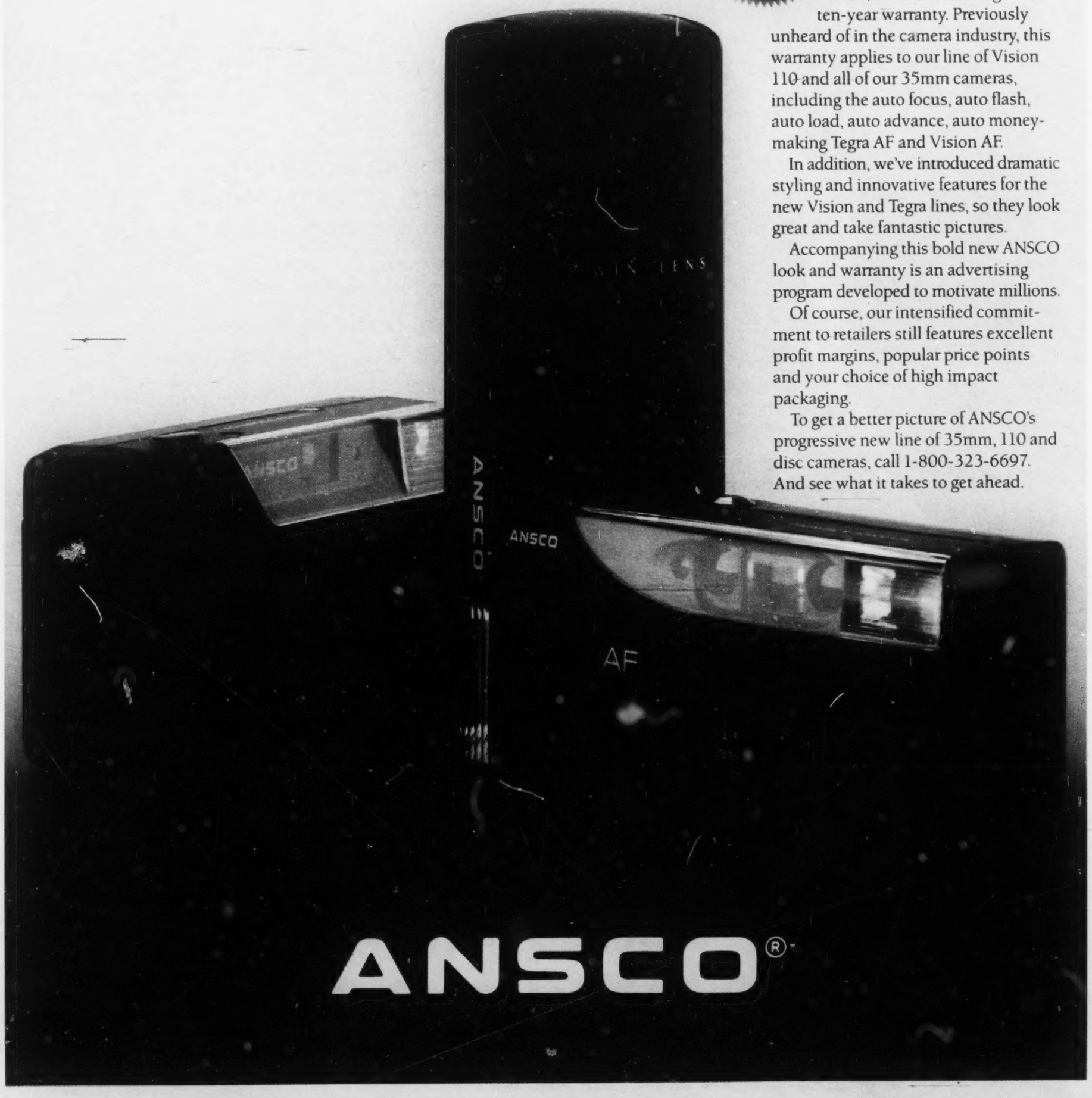

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Gerald DaVanzo, R.Ph., owner of Worlds Fair Pharmacy, Flushing, N. Y., ran this ad in *New York Newsday* two weeks before Christmas and has extended the promotion until the end of this month. So far, the store has given away 125 NovolinPens to diabetics who have a prescription for it and purchase one vial of Novolin N, Novolin R or Novolin 70/30 insulin used specifically with the pen. "The response rate has been mostly from busy young men and women who work, and take multiple insulin doses per day," DaVanzo said.

Top 10 blood glucose test strip kits

(sales nationwide in dollars)

	1988	Share	1987	Share	% change
Chemstrip test strips	$74,420,357	65.4%	$60,703,145	67.1%	+23%
Glucostix	28,522,726	25.1	20,083,191	22.2	+42
Dextrostix reagent strip	7,003,257	6.2	8,368,031	9.2	−16
Tracer BG test strip 50	1,167,638	1.0	9,766	.0	*
Total Exactech strips 50	1,046,079	.9	**	**	**
Visidex II reagent strip	983,708	.9	1,254,077	1.4	−22
One touch strips 50	556,239	.5	**	**	**
Beta Scan trend strip	47,640	.0	43,961	.0	+ 8
Glucoscan test strip	32,507	.0	59,998	.1	−46
Beta Scan reagent strip	2,032	.0	1,904	.0	+ 7

* % increase exceeds 999%
** product introduced in 1988
Source: Pipeline Research, a service of the IMS Consumer Products Division, Totowa, N.J.

Top blood glucose monitors

(sales nationwide in dollars)

	1988	Share	1987	Share	% change
Glucometer II+ M	$12,658,781	43.4%	$10,313,482	49.6%	+ 25%
Accu-chek II	10,611,426	35.8	10,285,424	49.5	+ 3
One Touch	2,135,847	7.2	**	**	**
Total Exactech meter	1,826,748	6.2	**	**	**
Tracer	1,687,155	5.7	180,975	.9	+832
Chemstrip Matchmaker	526,474	1.8	**	**	**
Beta Scan Trendsmeter	3,105	.0	10,800	.1	− 71
Glucoscan 3000 Lifescan	2,588	.0	**	**	**

** product introduced in 1988
Source: Pipeline Research, a service of the IMS Consumer Products Division, Totowa, N.J.

Smart consumers tapping drug stores for their diabetes testing kit needs

NEW YORK — Self monitoring of blood glucose is the latest technological advance in diabetes test kits sold in drug stores, and according to drug retailers, millions of Americans purchase them each year despite their higher-than-average price tag.

An estimated 11 million Americans have the disease, according to the American Diabetes Association. With self-tests, diabetics can obtain their blood sugar levels many times a day, if necessary, and fine tune adjustments in their insulin and food intake.

More good news for drug stores is that with baby boomers having a high level of education, sophisticated diabetic consumers are among the most willing and able to buy these units and keep a watchful eye on their metabolism.

In a recent *Drug Store News* survey, 45 percent of retailers polled saw diagnostic test kits as one of the hottest merchandising categories in 1989, with a 20.8-percent increase in sales.

Sales of blood glucose testing kits reached $114 million in 1988, according to Pipeline Research, which tracks monthly drug warehouse withdrawal data. Blood glucose meters tallied over $29 million in sales during the 12 months ending December 1988.

Most retailers told *Inside Pharmacy* that they've seen an increase in glucose test kit sales. "The trend in moving from urine testing to blood glucose testing has contributed to a growth in the field," said Cary Levy, pharmacy supervisor for Concord Wrigley Drugs, an 11-store chain based in Pontiac, Mich.

Retailers also said manufacturers' rebates are winning consumers over. Allen C. Purdy, H&BA buyer at Taylor Drugs which operates 56 stores in the Louisville, Ky. area, said sales for kits at the chain increased 50 percent.

"Generous rebate offers from manufacturers, coupled with attractive sale prices at retail, have made these units affordable to most consumers," he said.

Levy at Concord Wrigley agreed. "With manufacturer rebates, consumers can now buy some glucometers for under $100; a couple of years ago they couldn't be bought for less than $200," he said.

Concord Wrigley merchandises 16 feet of diabetic products. The mix includes alcohol swabs, glucose testing kits and products offered by Accu-Chek and Ames.

"We're moving the department out from behind the pharmacy counter in most of our stores," Levy said.

At the St. Louis-based Medicine Shoppe, Tim Bayer, director of product distribution, said its 3- to 4- foot linear section of diabetic products is kept behind the pharmacy counter. This way the pharmacist can monitor what is being sold and be available for consultation.

Medicine Shoppe promotes the section by doing in-store screenings and working with area health care professionals. "With the screenings, we try to create awareness for consumers, to say it's important for them to test on a regular basis," Bayer said.

Taylor's diabetic section averages 3 feet, and includes reagent strips, reagent tablets, lancet refills and alcohol swabs and related accessories by Ames and products for use with the Accu-chek monitor.

Purdy said the kits and syringes (which do not require a prescription in the chain's trading areas of Kentucky and Indiana) are kept behind the pharmacy counter for security reasons, but they are highly visible to consumers because of eye-level shelving. "We also display rebate offers at checkout to enhance sales," he said.

One hot product at Taylor is the Ames Glucometer II with memory. Purdy attributes its popularity to the unit's accuracy, price, rebate offers, doctor's endorsements, and pharmacist's suggestive selling. The same is true of Glucostix reagent strips.

Blood glucose meters are a large portion of today's testing kit sales in drug stores. The diabetes category at Concord Wrigley is "pretty competitive," said Levy, even though insulin and needles are sold close to cost. Concord Wrigley's margins are around 15 percent.

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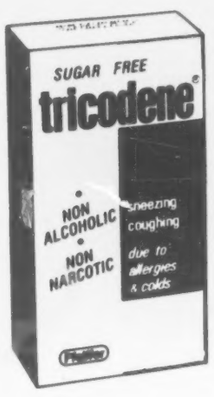

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INSIDE PHARMACY

DrSN *Health Screening Survey*

Survey: Chains keep pace with growing demand for health screening services

By Susan Ball

Drug store operators know a good thing when they see it.

In the 1970s, Americans were worried about hypertension. Pretty soon, screenings and machines to monitor blood pressure began popping up in pharmacies all over the country.

Today, thanks to technological advances, drug stores are able to respond to Americans' heightened health consciousness with other monitoring services: cholesterol and diabetes screenings, vision and hearing tests, foot screenings—and the possibilities are growing.

For example, the three leading manufacturers of desktop analyzers, whose capabilities include cholesterol measurement, say the market for their instruments is growing—one vendor estimated by as much as 25 percent a year. And that market may get a boost from the public's increasing demand for a complete lipid profile.

"It's an emerging market, especially in the drug store sector," said one vendor.

How widespread are all these types of screenings in drug chains?

To find out, *Drug Store News* conducted a survey of the top 100 (sales volume) chains. (See methodology box.)We learned that:

- Cholesterol screenings are up significantly in drug chains: More than four times as many chains responding to the survey offer them now than in 1986. The percentage of a chain's stores involved in cholesterol screenings averages 66 percent.
- Diabetes screenings are also on the rise: 62.5 percent of respondents offer them now, vs. 37.5 percent two years ago. The average store involvement per chain is 64 percent.
- A growing number of chains are offering vision and glaucoma testing, while chains offering colon rectal screenings and hearing tests have remained about constant. Few are venturing into foot screenings.
- Not surprisingly, a big majority of respondents—82.5 percent—offer blood pressure monitoring.

More than half of chain respondents say contribution to their health care image is the number one reason they offer screenings. Traffic-building got top ranking the next most often.

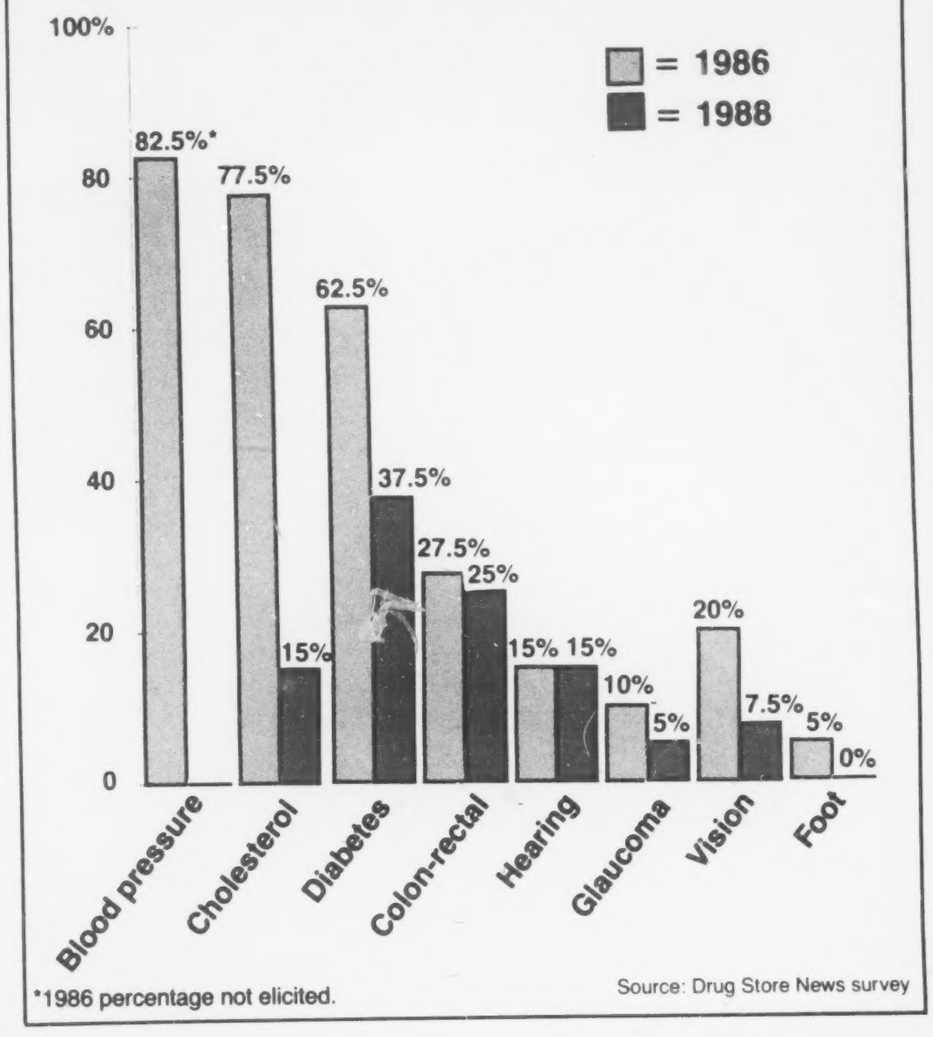
Although 83 percent of chain respondents offering screenings charge a fee, most are looking to cover costs, rather than make a profit. The fee averages out to $6 28, but some chains might offer vision testing free, while charging for cholesterol screenings. Fees ranged from no charge to $12 among respondents.

Chains seem to see cholesterol screening as a service to offer more frequently than other types of screenings. Fifty-eight percent of those offering cholesterol screenings do so four or more times a year, whereas 37 percent of chains that offer diabetes

Continued on page IP31

Chains step up screening programs

(Percentage of chains responding that offered screenings: 1986 vs. 1988)



*1986 percentage not elicited.

Source: Drug Store News survey

How often chains offer screenings

(percentage of respondents offering type of screening)

	4 or more times a year	Once or twice a year	Less frequently
Cholesterol	58%	36%	6%
Diabetes	37	48	15
Colon rectal	15	25	60
Hearing	17	17	66
Glaucoma	8	0	92
Vision	25	13	62
Foot	9	0	91

Source: Drug Store News survey

Why chains offer screenings

(Percentage of chains that ranked each of the following as #1 reason)

Reason	% ranking it #1
Contributes to health care image	58%
Builds traffic in stores	26
Brings in new customers who continue to visit store	14
Contributes to sales	1
Responding to customer requests	1

Source: Drug Store News survey

Average customer participation in screenings, per day, in a store

Type of screening	Customers (average number)
Cholesterol	107
Diabetes	69
Vision	69
Colon rectal	58
Glaucoma	25
Foot	25
Hearing	19

Source: Drug Store News survey

Methodology of the survey

Drug Store News mailed questionnaires to the top 100 (sales volume) chain drug stores in an effort to determine the scope of chains' involvement in health care screenings. A total of 40 chains responded, a 40 percent response rate.

The types of screenings surveyed include cholesterol, diabetes (glucose), colon rectal, hearing, glaucoma, vision and foot screenings. Because blood pressure machines and screenings are known to be common in chain stores nationwide, only two of the 17 questions pertained to this service: Whether chains offer blood pressure measurement (82.5 percent of respondents said they do), and in what percentage of their stores it is offered (in an average of 65 percent of a chain's stores).

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Circle #16 on Reader Service Card

DrSN *Health Screening Survey*

INSIDE PHARMACY

Survey focuses on screening services

Continued from page IP30

screenings have them that frequently.

Diabetes screenings are the most likely to be tied to a special event, such as a national awareness week. Some chains offer screenings primarily at health fairs, and a few use screenings to draw attention to store openings.

Chains indicated they often work with outside groups to put on screenings, especially for cholesterol and diabetes. In the case of cholesterol screenings, 17 of the 24 respondents who work with an outside group cited "turnkey" companies as the group they use. Diabetes screenings are sometimes done in collaboration with a screening instrument manufacturer. A few chains turn to labs or hospitals for assistance with screenings, or co-sponsor them with a community organization.

Rx'er involvement

Pharmacist participation in screening programs varies widely. One chain said its pharmacists play almost no role, because of lack of time.

But while a few chains (12 percent) said screenings are handled almost exclusively from headquarters, more than half (61 percent) said pharmacists play a role in answering screening customers' questions and counseling them. (Only one respondent, however, said pharmacists give customers their screening results, and two others said pharmacists help with further health care referrals.) One-third of chains with screening programs said pharmacists help promote the screenings, and about one-fourth said pharmacists help with logistics, such as scheduling.

Finally, chains were asked what kind of response the screenings had drawn from customers, physicians or others. A majority (67 percent) said customer response had been positive, and 33 percent said doctors had reacted positively, with one respondent saying doctors even sent patients to the screenings.

But 18 percent of respondents who offer screenings reported getting some negative feedback, and half of this group mentioned criticisms of cholesterol screenings specifically.

For example, some doctors voiced concern over follow-up and referral, and in at least one instance, lab technicians questioned the accuracy and reliability of cholesterol screening results. One chain respondent said follow-up letters were sent to doctors who had questioned the value of screenings.

In addition, one respondent said blood pressure screenings had drawn some questions about equipment accuracy.

WIPA unhappy with settlement of Samaritan suit

MILWAUKEE — The case between the Wisconsin Independent Pharmacists Association (WIPA) and Samaritan Health Plan has been settled, but WIPA is not quite satisfied.

The suit filed by WIPA, a 280-member group of independents, sought monetary damages and an injunction to prevent the HMO from terminating its contract with the group.

"When the initial day at court came, the judge never came out of chambers," said Dick Labott, president of WIPA. "He said he preferred to settle out of court without a lot of legal input."

Disappointed with terms

Labott said he was disappointed with the terms of the agreement, which did award $100,000 to WIPA for damages, but failed to uphold the three-year contract between WIPA and Samaritan.

"We wanted enforcement of the contract," Labott said, "but the judge felt that two parties should not be forced to do business if one of the parties didn't want the contract."

Even the monetary compensation failed to satisfy WIPA, according to Labott. "When based on the numbers of the former contract," said Labott, "the figure was reasonable. But in the long run, we lost."

WIPA will no longer be providing services to Samaritan's 98,000 enrollees.

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Circle #18 on Reader Service Card

C5150-2

Technology Today column launched — Page 10

Drug stores lead hair care growth — Page 13

Ariz. consumers in script squeeze — Page 25

SECOND CLASS

DRUG STORE NEWS

Vol. 11/No. 5 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. March 6, 1989

Retailers crunch the Big Apple for back-to-school, toy shows

Above: **Pay Less NW's Tim McAlear (right), executive vp, and Jerry Kuske, vp-merchandising, at Back-to-School Show.**

Skip Morris, vp-marketing, left, and Bill Brock, merchandiser, from Hook-SupeRx's SupeRx division in Cincinnati, gained a feeling for the look '89's Christmas giftwrap will have at the Toy Fair.

February was showtime in New York City, as thousands of retailers and vendors converged on the Big Apple for the Back-To-School Show and the 86th Annual Toy Fair. ***See photos and show coverage, pages 2 and 3.***

Thrifty takes Giant steps

Chain planning four stores as Ralphs converts megas

LOS ANGELES — Thrifty Drug Stores and Ralphs Grocery are going to try living together again.

Thrifty will open four 14,000- to 15,000-square-foot stores side by side with Ralphs supermarkets, as Ralphs downsizes its 70,000-square-foot-plus Giant stores to 45,000- to 50,000-square-foot formats in 15 locations. Executives of both chains expect the moves to all occur this year.

The stores will have separate signage and entrances, and be divided by interior walls. To consumers, they'll look like separate stores, though in the same building. Ralphs will continue to carry H&BAs, but no pharmacy, in these stores. The side-by-side stores are a step beyond some other locations, where Thrifty and Ralphs co-anchor small neighborhood strip centers.

In an earlier experiment that lasted until last summer, Thrifty operated 4,000-square-foot Jr. stores inside five Ralphs' Giants. These Giants included other tenants, such as dry cleaners and fast food operators, in a mini-mall setting. The small size of the Thrifty Jrs., a redundant product mix between Giant and Thrifty Jr., and a less than ideal traffic flow caused Thrifty to close the Jr. sites.

See **Thrifty,** *page 29*

Fay's to name Kogut drug division president

LIVERPOOL, N. Y. — Fay's Drug Co. will name John Kogut president of its drug store division, *Drug Store News* has learned. Warren Wolfson, vp-general counsel, confirmed Kogut's promotion to this new position, saying it will be approved by the company's board of directors at a meeting on March 17.

Kogut, in his new responsibility for the 150-store Fay's Drugs division, will report to company president Larry Rose. The company has two other retail divisions, also headed by presidents: David Panasci at Paper Cutter stationery stores and Michael Falcone at Wheels Discount Auto Supply stores.

Fay's, in establishing a presidency of the drug store division, is preparing to expand its drug store roster by 10- to 15-percent annually to as many as 280 stores by the mid-1990s. Fay's will enter Vermont and New Hampshire with drug stores for the first time this year, and will expand in Pennsylvania. Chairman Henry A. Panasci, Jr., told analysts recently that corporate sales should reach the $1 billion range by 1994.

That goal would also be helped by rapid expansion of Wheels to 120 stores and Paper Cutters to 60 during the next five years.

These aggressive plans are being made against the backdrop of a two-year-long profits climb. In the latest nine months, earnings reached $5.2 million, compared with $2.2 million in the same year-ago period. Revenues rose 5 percent to $376.8 million. Gross margins are also up about one point.

Kogut, a board member, had been senior vp-operations. No one has been named yet to fill this spot. Wolfson said two executives may split the assignment at Fay's, perhaps in such roles as store operations and pharmacy operations.

LATE NEWS

- LARGO, Fla. — American Stores is preparing to open two Jewel Osco superstores here in March. A third store is under construction, a local source said. These will be the first Oscos in the state.
- BROOKHAVEN, N. Y. — Carrefour U.S.A., the hypermarket developer, has sued Brookhaven Town for $25 million and clearance to build a 729,000-square-foot mall there. The suit charges that, when Carrefour sought to build here last year, the town changed the commercial zoning of a proposed site to placate local merchants' fear of competition.
- MONTREAL — Imasco Ltd. said it had completed the sale of the 85-store Reed Division of Peoples Drug Stores to Big B Inc. for approximately $50 million, U.S.
- PONTIAC, Mich. — Amid trade talk that Perry Drug Stores is up for sale, the stock is still being traded heavily near its $13.50 high price for the year. It closed Feb. 23 at $12.125 on volume of 170,100 shares.

Snyder's media campaign to roll; its new modern image the focus

By Susan Ball

A *Drug Store News* exclusive

MINNEAPOLIS — Snyder's Drug Stores is rolling out an unusual campaign that strips the words "drug store" from its name in its advertising and is meant to drastically shift consumer perceptions. This major effort culminates a two-year-long program to upgrade marketing, operations, training and systems at the 200-store chain.

"Before we could communi-

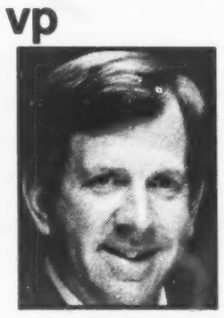
See **Snyder,** *page 29*

'Our market research showed that the term 'drug store' carries some dated perceptions not in line with Snyder's today.'

— Bill Vidmar
vp-marketing, Snyder

NEWS IN BRIEF

Durand named a Vons group vp


Durand

EL MONTE, Calif. — Vons Grocery Co. has named Harvey Durand to the new position of group vp-drug store, responsible for general merchandise, pharmacy and H&BA. He replaces Tony Fanticola, vp-general merchandise, who resigned.

The change in job title reflects expanded duties of the position, and Vons' aggressiveness toward its drug store business.

Durand comes to Vons with over 20 years in retailing. Before joining Vons in January, Durand served as a drug division vp for Albertsons stores in Texas, Florida and Louisiana. Durand was also a vp at Pay Less NW and Jewel Companies, where he managed the Osco division.

Vons operates over 350 grocery stores and by year's end expects to operate close to 100 pharmacies in its combos.

Rome, Karp named to top Moore posts

NEW BRITAIN, Conn. — Moore Medical's board of directors announced the election of Jerald K. Rome, the company's chief executive officer, to the newly-created position of chairman of the board. Karp joined the company in 1972, and has held various positions at the company, including manager of the generic drug division.

The board also announced the promotion of Mark E. Karp, formerly senior vp, to the position of president and chief operating officer. Karp was also elected as a member of the board of directors and the executive committee.

Revco auctions 112 store leases

TWINSBURG, Ohio — Revco has auctioned 112 leases for vacant store sites in 20 states, at U.S. Bankruptcy Court in Akron, Ohio.

Marvin Solganik, senior vp-real estate for the chain, said the leases occupied a variety of retail locations, did not include fixtures or any on-going businesses, and the sites typically had 5,000 to 10,000 square feet of space.

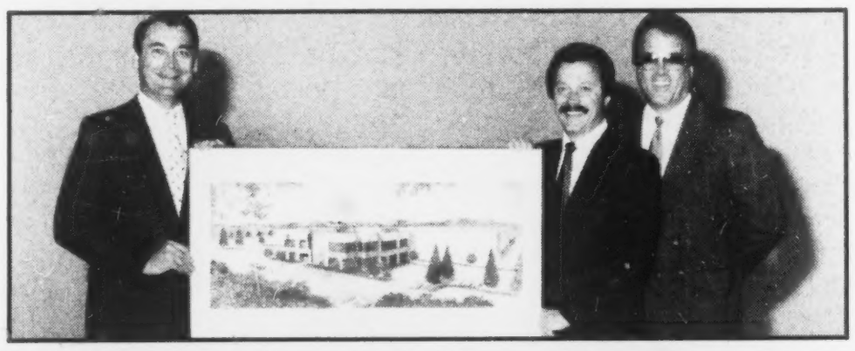
Revco's voluntary filing for Chapter 11 protection on July 28, 1988 allowed it to auction the leases, saving the chain money that would otherwise go to rental on empty storefronts. "This is another step in achieving a successful financial reorganization," Solganik said.

Bergen consolidating So. Calif. DCs

ORANGE, Calif. — Bergen Brunswig has purchased land in Corona, Calif., which will provide over 231,000 square feet of warehouse and office space, to consolidate three of its Southern California distribution centers into one.

Construction is set to begin next month, with a projected opening date of April 1990. The new warehouse will feature high-storage racking for palletized product movement.

Mike Quick, currently manager of Bergen Brunswig's Anaheim division, will be made manager of the Corona center.


Phillip Engle, (left) president of Bergen Brunswig, holds architect's rendering of planned distribution center in Corona, Calif. Urs Aeberli (center), assistant manager appointee for the new facility, and Mike Quick (right), manager, look on.

New staffer at *DrSN's* Chicago bureau?

EVANSTON, Ill. — *Drug Store News* senior editor James Frederick and his wife, Chris, became the proud parents of a son on Feb. 22 at Evanston Hospital here. David James Frederick weighed in at 6 pounds, 14 ounces, and is the couple's first child.

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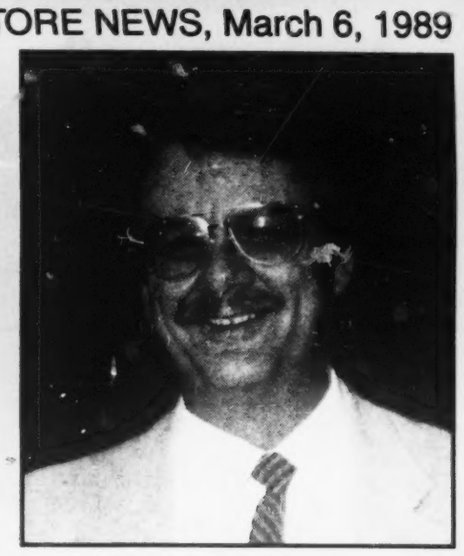
Vol. 11, No. 5 March 6, 1989

Attending the Back-To-School Show from 10-store Freedom Drug in Massachusetts, are, from left: Denis Rondeau, president; Kim Higgins, director of operations; and Gene Dimaio, general manager.


Roger Wilcox, stationery–home office–back-to-school buyer for Raley's, a California-based combo chain.

Ike's president Bill Mitchell and Tammy Simouye, stationery buyer for the deep discount operation in Tennessee, at the show with plans to expand home office.

Frank Marks, left, senior buyer, and Bob Springer, vp-marketing, of Marc's, looked at show exhibits from the viewpoint of female shoppers, their primary customers.

B-T-S Show buyers plan to expand popular sections

NEW YORK — Expansion, upgrading and bulk packs are key elements in drug chains' plans for their school-stationery-home office departments this year, based on buyers' comments at the recent Back-to-School Show at the Javits Convention Center here.

From Ike's in Tennessee to Pay Less NW in Oregon, chains are expanding, or have recently expanded, the home office segment in order to increase sales in this core department.

Ike's president, Bill Mitchell, said he plans to add a 20-foot set of home office products to the stores' 60-foot departments and was looking at different options at the show.

Tim McAlear, Pay Less NW executive vp, noted that the chain had expanded home office by 8 to 12 feet and experienced a 17-percent increase in department sales this year over last. "It's a very good department for us," he said.

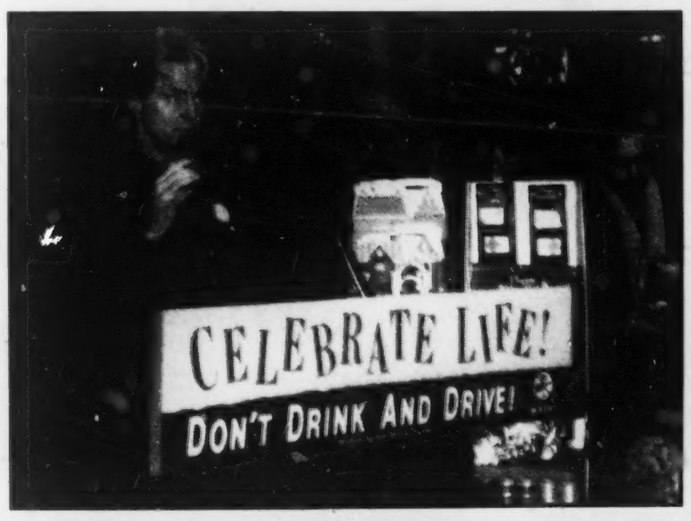
"We're expanding home office by about 20 percent onto existing departments—and wish we had more," said Roger Wilcox, drug buyer and merchandiser for Raley's Superstores, based in California. Additions would include bulk items and upgraded file boxes and cabinets, he said, noting that tax time is the chain's second-biggest department promotion, after back-to-school.

Bob Springer, vp-marketing for Marc's, was looking at multipacks, Esselte Pendaflex plastic accessories and such items as two-drawer file cabinets as part of his show agenda.

Many chains are focusing on upgrading, rather than price, as their niche in both school and home office supplies. "Our customers are willing to pay more for products if they feel it's a good value," said buyer Dan McAllister of

See **B-T-S**, *page 29*

Fred Edwards, senior executive vp, left, and Lou Schechter, senior vp-marketing, of Dart Drug Stores.



Radio-TV personality Shadoe Stevens helps Gibson Greetings kick off its "Celebrate Life" joint program with Mothers Against Drunk Driving at the show.

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BEAUTY TRENDS

Drug stores lead in hair care sales growth

The hair care category, for the first time in several years, generated moderate growth in 1988. Total mass market retail sales were up 6.1 percent to $3.98 billion.

Of the three mass market retail trade classes, drug stores had the strongest growth, generating a 7.4-percent increase in overall sales, to nearly $1.5 billion for the 12 months ending last October.

Drug stores also improved their share of mass market hair care sales, moving up a half-point to 37.0 percent, while food stores dropped 1.2 points to a 40.7-percent share.

Buyers say they think this happened because many drug stores put new emphasis on their basic categories, especially high-consumption commodity categories like hair care. Sources say they have been more aggressive with hair care ads in 1988 and much more competitive on their prices.

Professional hair

Professional hair care products like Aussie, Infusium and DeMert are still doing well in most drug stores. Most buyers say their sales are strong, if not quite as dramatic as a year ago.

In Atlanta, Stiff Stuff is doing very well in Revco stores, according to store managers, and Studio Line Mega Gel is the top seller in its category.

At Drug Emporium the professional segment is described as "especially hot." One cosmetician said that just about everything in the professional category was selling well. Especially strong were the Aussie products, she said, particularly the Australian Three Minute Miracle shampoo and conditioner, and the little foil packets of Aussie hair conditioning treatments. Also doing well at most Drug Emporium stores are the TRESemmé shampoos and the Fermodyl line.

Generic professional hair care products also continue to do well at many chains. One cosmetician who services a Drug Emporium in Atlanta says that price is still a strong attraction for consumers who buy the generic lines. Her store had a 4-foot section of generics under the Ross Kalvin brand. Their knock-off of the Nexxus shampoo, for example, was priced at $2.11, compared to the $6 to $8 consumers normally pay for Nexxus in a salon.

Marlene Isaacson, who buys professional hair brands for Austin Drug, says her Progen generic line also sells well. "We aren't getting as strong a growth as we did several years ago when the professional brands were not readily available, but we are getting good growth," she says.

Despite competition from food and discount stores, drug stores increased their 1988 hair care sales share .5, to 37%. Emphasis deep discounters such as Drug Emporium (above) put on category contributed to gain.

Chart 1: Growth in mass market hair care sales

(Retail sales in food, drug and discount stores, 12 months ending 10/31/1988)

Retail Outlets	1988 $ sales (millions)	% change vs prior year	Share of sales
Drug	$1,474	7.4%	37.0%
Food	1,621	4.9	40.7
Discount	893	5.9	22.3
Total Sales	3,988	6.1	100.0

Source: Nielsen Marketing Research

Chart 2: Hair care retail sales trends

Retail Outlets	1984	1985	1986	1987	1988
Drug	37.2%	36.9%	37.2%	36.5%	37.0%
Food	40.6	40.9	41.1	41.9	40.7
Discount	22.2	22.2	21.7	22.6	22.3

Source: Nielsen Marketing Research

Shampoos and conditioners

In the shampoo and conditioning segment, buyers and store clerks say that Revlon's new Clean & Clear is showing strong, steady growth. Neutrogena shampoos are also very good, buyers say, and Helene Curtis' Salon Selectives continues to be outstanding. Some clerks say they can't keep certain formulas in stock.

Suave is going well in most chains and so is White Rain, probably the best and most successful of the low-priced brands.

Hair color

According to Nielsen, the hair color category was up 7.8 percent overall for the 12 months that ended last October. In drug stores, it was up 9.1 percent.

Chart 3: Sales growth in hair care segments

Category segment	All mass Outlets 1988 $ Sales (millions)	% chng vs. last year	Drug Outlets 1988 $ Sales (millions)	% chng vs. last year
Shampoos	$1,349	5.6%	$385	8.9%
After Shampoo	749	9.5	270	9.6
Color	541	7.8	292	9.1
Fixatives (sprays)	647	6.8	198	10.9
Ethnic Hair Preps	287	9.9	161	4.4
Men's Hair Preps	134	(0.8)	53	3.3
Home Perms	131	0	65	0.4
Mousse	196	(8.6)	50	(10.1)

Source: Nielsen Marketing Research

Several buyers told *Drug Store News* that men's hair color is starting to show very strong growth.

The buyer for one major chain said his stores have been doing "very well" with the category. He said Just For Men has shown "tremendous growth over the past year," and added that he expected "very good things" from Clariol's new Options and Combe's Grecian Plus, both of which are currently in test on the West Coast.

Combe, which created the category with its Grecian Formula, says its research shows that men's color sales have been been steadily climbing since 1987, when Just for Men, a five-minute shampoo-in hair color, was launched.

Combe estimates that men's hair color is now a $33 million category.

Continued on page 22

BEAUTY TRENDS

Drug stores hold 'commanding' lead in skin care category sales: Nielsen

The skin care category is generating strong gains in most drug stores, buyers report. Sources say sales have increased about 10 percent on average, with some chains reporting growth ranging from the high teens to 30 percent or more.

According to Nielsen Marketing Research, sales for the entire mass market skin care category increased 11.4 percent for the 12 months that ended last October.

Nielsen says drug stores again outpaced food and discount stores in the category. According to the market research firm, drug store skin care sales were up 14.1 percent last year. Food stores posted a 10.6-percent gain and discount stores, 6.1 percent.

Drug stores continue to hold a commanding share of sales in the category. According to Nielsen, drug stores had a 49.5 percent share of mass market skin care sales in 1988, up .9 over the prior year. Food stores lost .1 to a 31.0-percent share, and discount stores were down .7 to 19.5 percent.

Based on Nielsen's research, the strongest skin care segments last year were baby lotions, up 14.6 percent, suntan lotions and screens, up 13.9 percent, baby oil, up 13.2 percent, and face creams and hand creams, each up over 11 percent. Bath oil was also up over 10 percent.

Drug stores again were able to generate stronger increases in these categories than their rivals, the food and discount store chains.

In the sun care category, for example, sales were up 21 percent for drug stores compared to an increase of 13.9 percent for the three trade classes as a whole.

In skin care, the franchised lines are showing strong growth, sparked by merchandising changes that help make the category more visible and more accessible in many stores. The franchised lines also seem to be getting more support from the manufacturers who are advertising their brands more and launching new lines like L'Oréal's Plenitude and the new Clarion skin care line.

Revlon has scored a huge marketing success with the launch of its Anti-Aging creams and lotions, and Almay is continuing to do exceptionally well with its regular treatments as well as its new Stress line.

One leading regional chain has experienced dramatic growth in franchised skin care sales 'without doing anything that we're aware of to inspire that growth,' as the buyer put it.

Some chains also report that they are advertising the skin treatment category more and that this is also paying off in stronger sales.

The mass lines are also doing very well, particularly Olay, Neutrogena, Nivea, Lubriderm, Vaseline Intensive Care Lotion and Curel.

One leading regional drug chain has been experiencing particularly dramatic growth in its franchised skin care sales "without doing anything that we're aware of to inspire that growth," as the buyer put it.

This buyer estimates that her franchised skin sales are up at least 20 percent while the mass lines are up a more modest 5 percent or so.

"Our mass sales are good and we're hoping that all the new entrants in the category will bring sales up much more dramatically in 1989, but for now, our franchised treatments are our best performers."

The Almay treatments have been particularly strong in this chain and so has the Revlon anti-aging creams and lotions. Moon-

Continued on page 16

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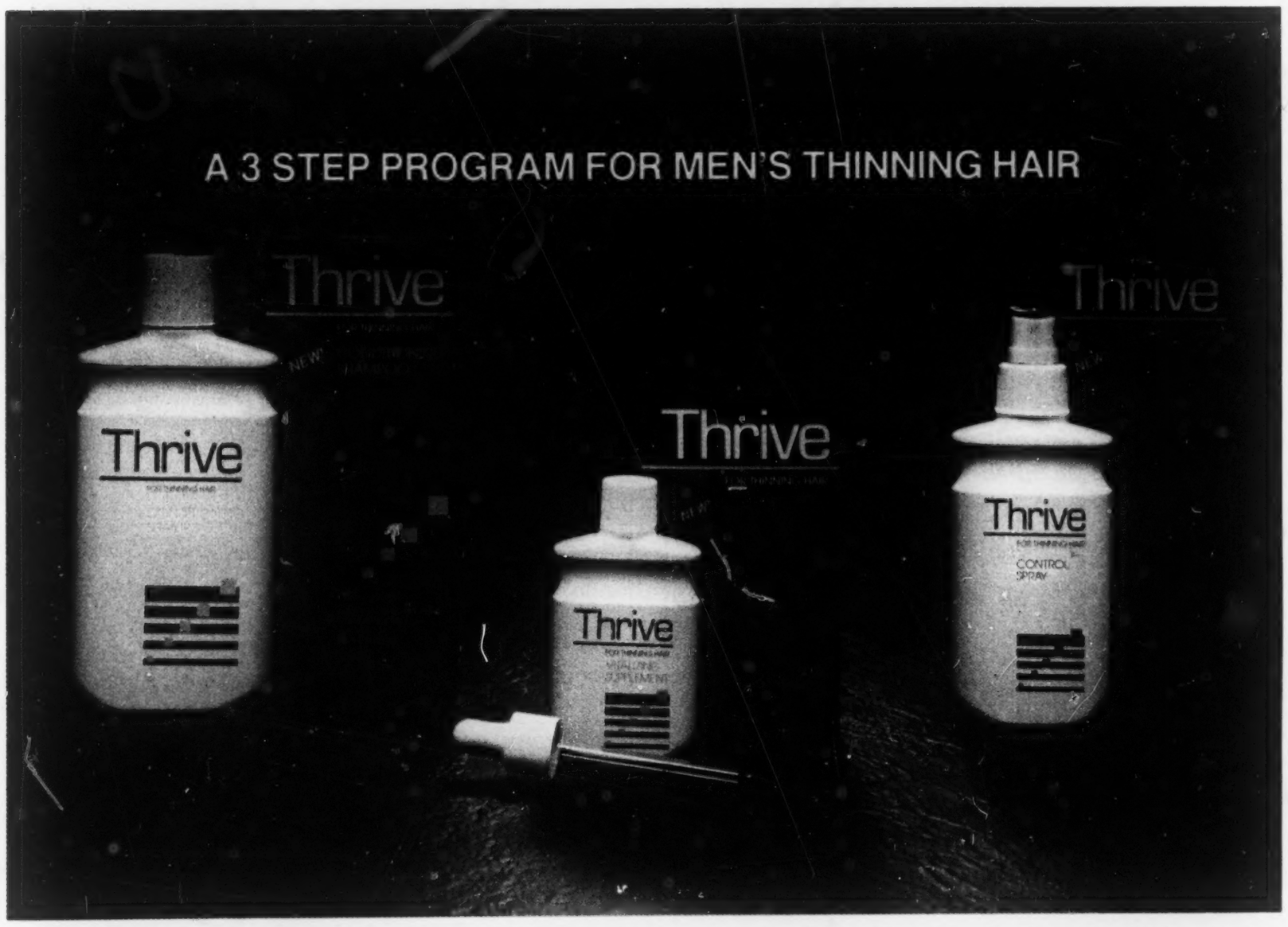

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BEAUTY TRENDS

Continued from page 14

drops and the European Complex lines have also been hot, thanks possibly to new advertising support from Revlon.

This year, the buyer thinks the new Johnson & Johnson Purpose dual-treatment moisturizer with sun protection will do well in her stores.

The Purpose medicated soap, she points out, has always been a "dynamite seller" with dermatologists often recommending it to their patients. Now she thinks the moisturizer can build on that base of loyal users.

Drug chains like Drug Emporium often prefer to merchandise their more expensive skin care lines in the cosmetics department. They feel that cosmeticians can generate sales by answering consumer questions.

She also sees a lot of cross merchandising promotional opportunities tying the moisturizer into the success of the soap. She thinks doctors may want to recommend the Purpose moisturizers to Retin A users.

"It has all the properties that a Retin A user could want," she says. "It's a perfect moisturizer to use to help treat irritated skin."

This buyer has also had good growth from the new Neutrogena tinted moisturizer with sun protection. In this chain, the tinted moisturizer is not treated as a cosmetic product. Instead, it is merchandised with the entire family of Neutrogena skin care products, all of which are selling well here.

Cosmeticians, however, do help with suggested selling because this chain instructs its clerks to tell their customers that they can lighten the tint, if they want to, by mixing the tinted moisturizer in with the regular Neutrogena moisturizer products.

This buyer also likes the looks of the Revlon newest Clean & Clear skin product that will be launched later this year. That's the Clean & Clear Moisture Fine treatment that is being positioned against Olay. It comes in a clear bottle and can be dispensed through a pump; the point of differentiation being it is so pure and clean, you can see right through it.

This buyer thinks this approach worked very well for the Clean & Clear hair launch and has a good chance of catching on in skin.

She does note, however, that she does not intend to take in too many of the new products being launched against Olay.

"Olay," she points out, "is a great seller and fantastic for creating traffic for the skin treatment department, but the four- and six-ounce sizes are so competitive that it is impossible for drug chains to make much money on them.

"I'm telling the companies who want me to take on lines that compete with Olay that I'll take them only if they can guarantee me that they'll sell as well as Olay," she says.

"I can make money on Olay only because of the volume I sell. There's no reason for me to take on more lines with such a low margin unless they can assure me the same volume."

This buyer had not yet seen L'Oréal's new Plenitude, which is another line meant to go against Olay, but she felt the line would be better off in with franchised treatments in the cosmetics section.

She's putting it in cosmetics next to L'Oréal's color and she's hoping that it will do as well as the Revlon treatments do in their sets.

She says she'll also put the new Clarion skin care line in her stores that have Clarion cosmetics, but she's a little more reserved about the line's chances for success. She still has memories of how the Clarion color line took so long to build a base of users, and she says she also wonders whether computer-assisted sales are as strong a selling aid as Clarion's management thinks it is.

Likes lower price points

However, she does like the lower price points on the Clarion line and if the ad support is as strong as promised, she thinks it could do well.

She also says that she has been pleasantly surprised by

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Growth in mass market skin care sales

(Retail sales in food, drug and discount stores, 12 months ended 10/31/88)

Retail Outlets	1988 $ sales (millions)	% change vs. prior year	Share of sales
Drug	$ 911	14.1%	49.5%
Food	569	10.6	31.0
Discount	359	6.1	19.5
Total sales	1,839	11.4	100.0

Source: Nielsen Marketing Research

Skin Care: Growth in segment sales

Category segment	All mass outlets 1988 sales (millions)	% chng vs. last year	Drug outlets 1988 sales (millions)	% chng vs. last year
Bath Oil	$220	10.2%	$105	14.6%
Depilatories	50	4.9	29	6.7
Face Creams/Lotions	503	11.8	291	13.7
Hand & Body Lotions	529	11.4	234	13.7
Chapped Lip Preps	72	1.9	32	3.6
Sun Tan Lotions/Oils*	339	13.9	183	21.0
Baby Lotions	42	14.6	12	21.9
Baby Oil	83	13.2	25	17.2

*Includes sun protection products Source: Nielsen Marketing Research

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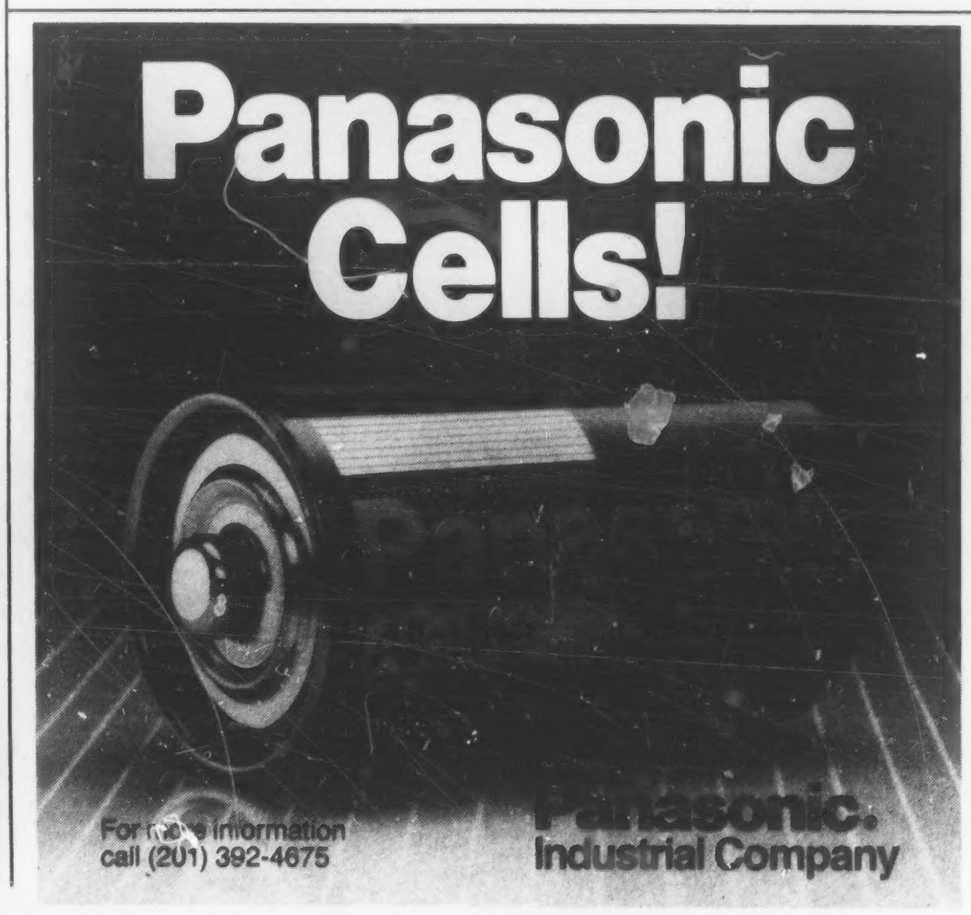

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BEAUTY TRENDS

Continued from page 16
the success of the Vaseline Intensive Hands and Nails lotion line.

In the basics, Curel is especially strong in this chain and so is Lubriderm.

Genovese Drug

At Genovese Drug in Melville, N. Y., senior H&BAs buyer Kevin McGivney says his skin care sales were up about 30 percent last year, and, despite the closing of many local beaches due to pollution, sun care was up between 20 percent and 25 percent.

McGivney says the growth is partly due to the consumer's current concerns about skin damage from too much exposure to the sun. However, a large part of the increase is the result of the way Genovese merchandises the skin care category. Skin is merchandised as a core department that includes sun care, bath accessories, acne treatments, therapeutic lotions for dry skin and mass market moisturizers.

McGivney says this approach, adopted last year, makes it easier for consumers to shop for skin care and related items. The category also gets strong ad support, with skin care items featured weekly.

The most frequently advertised brands are the top sellers: Olay, Ponds, Vaseline Intensive Care, Lubriderm, Keri, Curel, Jergens, Neutrogena, Nivea. Three or four times a year, Genovese also advertises the entire line of a particular brand, such as Neutrogena or Chesebrough-Ponds.

"This has really worked well for us," says McGivney. "We find that Neutrogena customers, for example, are brand loyal, and they usually buy more than a single item in the line."

In Genovese's mass brand skin care department, the strongest sellers right now are Olay, Ponds, Vaseline Intensive Care, the entire Neutrogena line, Nivea, and the new Vaseline Intensive Hand & Nail Care line. McGivney says the St. Ives Retinyl-A lotion, at an attractive price point, is also selling very well.

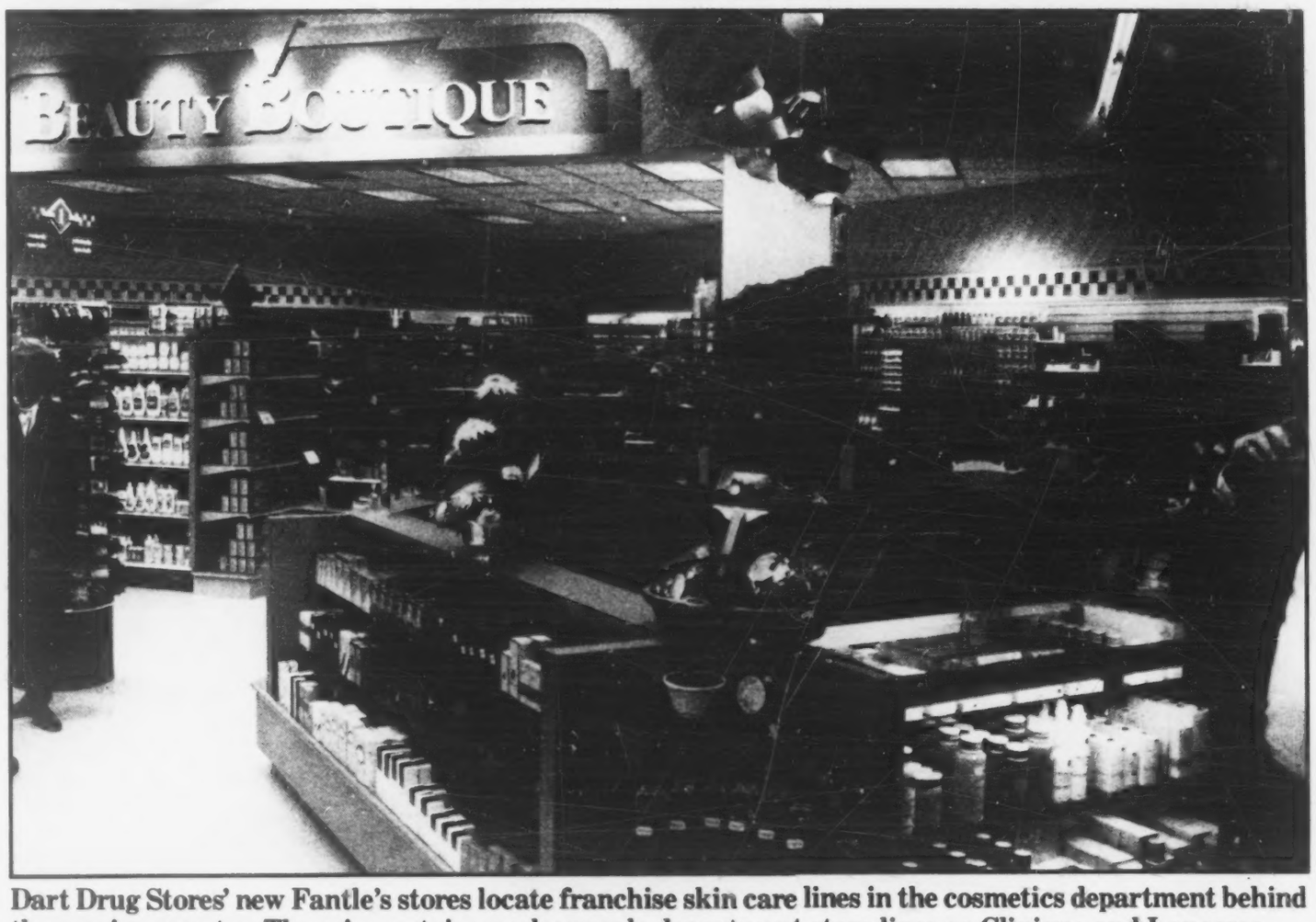
Lubriderm is enjoying "excellent sales" at Genovese, McGivney says. Curel and Noxzema are both doing well and so is Keri, with its new bath line. McGivney says the new Jergens Eversoft line is off to a very strong start.

McGivney has seen the new L'Oréal Plenitude skin care line in test stores in Atlanta, and he thinks it will do very well in his stores.

He was less familiar with the new Clarion skin care line, but he pointed out that Noxell supports its lines with a lot of money, and that being the case, the skin care line should also do well.

Dart Drug

In Landover, Md.-based Dart Drug, Jon Rudden, merchandise manager, says skin care has been identified as a prime growth area. The company's intent now is to develop the potential of the category by improving the location, the product mix and the overall presentation of the department.



Dart Drug Stores' new Fantle's stores locate franchise skin care lines in the cosmetics department behind the service counter. The mix contains such upscale department store lines as Clinique and Lancome.

In Dart's new Fantle's prototypes, the franchised skin department is in the cosmetics department behind the service counter. The mix includes such prestigious department store brands as Clinique and Lancome.

The mass skin care section is close to the cosmetics kiosk, and it includes the better selling mass brands like Olay, Neutrogena, Lubriderm and Keri.

"Skin care is a priority growth category for us," says Rudden. "Our stores have been 100-percent computerized since last July, and since that time, sales through the register have indicated a significant growth acceleration in that category."

The new skin department presentation, in combination with the bath department, gets a 28-foot to 32-foot gondola treatment, plus the additional space required for the franchised brands behind the service counter.

Rudden says management plans to add the department store lines to as many stores as feasible, but will concentrate on stores in affluent neighborhoods. Stores with department store lines will be staffed by fully trained, and in many instances, licensed, cosmeticians.

Rudden says Dart's management feels that well-trained cosmeticians are imperative to adequately servicing customers, and they contribute to the ultimate success of specialized products.

Rudden also says corporate's goal is "to bring presentation uniformity along with an improved mix to the mass skin care department in the near future."

Rudden says Dart plans eventually to relocate the department to the front quadrant near the entrance, in the primary traffic area of every store.

Rudden also foresees the possibility that mass franchised skin treatment lines like Revlon, Factor and Almay could be merchandised in the cosmetics kiosk rather than in the family sets in color cosmetics.

In terms of new products, Rudden says he is very excited about the launch of L'Oréal's Plenitude. "It seems like they've done their homework," he says. "and they're certainly committed to supporting this launch. My feeling is that a major launch of this type is good for the entire category."

Rudden likewise believes the Clarion skin care launch should also fuel growth in this department. Since the new ads for the Clarion color line broke, Rudden says Clarion has been doing "very nicely" at Dart. He feels there is a specific customer who will be loyal to the Clarion line.

So far, the movement of Colgate's new Lournay skin care line has been slow at Dart. However, Neutrogena has been very good and Olay and Lubriderm have been turning in strong performances.

This year, Dart plans to incorporate a year round section for sun care within the skin care department. It will probably vary between four and eight feet and include a varied mix of tanning and sun protection brands.

Freddy's

Therapeutic skin care brands are doing very well in Freddy's 18-unit deep discount drug chain based in Rochester, N. Y.

The strongest mass skin care brands are Lubriderm, Neutrogena, Moisturel, Curel and Keri. H&BA buyer Michelle Reitz thinks their growth is being propelled by dermatologists' recommendations.

"More and more people today want a better lotion," she says, "and more people are going to dermatologists, and the therapeutic brands or the brands with a quality image, like Neutrogena, are what most dermatologists are recommending."

Reitz estimates she's seen a 50-percent increase in the therapeutic segment of skin care sales in the past year. The anti-aging creams have been "big" at Freddy's and the Retinyl-A creams have been doing well, especially so since Reitz regards them as "specialty items" with a limited base of users.

Skin care gets between 25 and 30 feet in most Freddy's stores, plus family sets for the franchised lines in cosmetics.

Olay is doing very well and its new Sensitive Skin Fluid is off to a very strong start. Nivea's Visage is doing okay, but not approaching Olay's movement. The new Vaseline Hand & Nail Lotion is doing very well.

At Austin Drug on Long Island, cosmetics buyer Marlene Isaacson reports that after installing new fixturing for Revlon's cosmetics and franchised skin care lines, her sales of Moondrops, Eterna and European Collagen improved dramatically. She thinks it's because the new fixtures made the treatment products more more visible and accessible.

At Revco, the chain has expanded its mass skin treatment section, trying to give its customers a broader selection of product.

One source says this has been particularly good for sales, especially for popular brands like Olay, Keri and Moisturel. They have also brought in new lines like Aquaderm, made by Baker/Cummings in Miami and they've tried some knock-offs of the department store lines like Clinique and Lauder.

Old stand-bys like Palmer's cocoa butter and the Queen Helene moisturizers are also doing well in Revco, sources say.

At Eckerd Drug, several store clerks report that Revlon's Clean and Clear skin creams are picking up, possibly a result of the success of Revlon's new Clean & Clear hair care line.

Olay sold out when Eckerd recently advertised it, and some stores say they were completely out of stock before the sale period was over.

Sea Breeze is very popular in Drug Emporium stores, and so are the dual packs of St. Ives' Swiss Formula, especially when they are advertised. Ponds is good and Freeman and West Cabot skin treatments also sell well in many stores.

Skin care: Share of retail sales

Retail outlets	1984	1985	1986	1987	1988
Drug	50.9%	50.4%	49.0%	48.6%	49.5%
Food	30.5	30.6	31.5	31.1	31.0
Discount	18.7	19.0	19.6	20.3	19.5

Source: Nielsen Marketing Research

Dart Drug intends to develop the category's potential by improving the location, product mix, and overall presentation of the skin care department.

BEAUTY TRENDS

Spinner racks of sunglasses and postcards frame endcap featuring sun care items in a Rix-Dunnington store.

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trend in his stores.

Here, where the season starts in March and ends just before Labor Day, Cohen says the tanning lotions sell best, and Cohen thinks it's because the sun care customer still basically wants to tan rather than avoid the sun.

"Yes, some consumers may be a bit more careful because of everything they've heard about sun damage," he says, "but in many cases, that just means we're seeing more people trade up from an SPF 4 to an SPF 6 or from a 6 to an 8. But, even so, we still do a strong business in the 0s, 2s and 4s."

'Some consumers may be a bit more careful, but in many cases people trade up from an SPF 4 to an SPF 6.'

Cohen says Bain de Soleil was even stronger for Duane-Reade last year because of all the changes P & G has made in the line. He says its new packaging is very attractive, the additional SKUs are selling well, and the Bain de Soleil management seems to have keyed in "on all the important items" for this coming season.

He describes the new Protecteur Gentile line from Bain de Soleil as "a lovely concept," and adds Duane-Reade will be stocking at least four SKUs in the line including the SPF 25 face cream, body cream, and the SPF 30 lip protector and eye protector.

This year, Cohen thinks the Coppertone SunLess Tanning lotions look good, but at presstime, Cohen hadn't made up his mind if he'd be taking in the new Piz Buin line from Johnson & Johnson (J & J) or the Vaseline Intensive Care (VIC) sun care line.

He said he liked the packaging on Piz Buin, but he was trying to hold the line on the number of new SKUs he'd be bringing in this year. With the VIC line, he felt Chesebrough would support the line with good advertising, but he was afraid they might rely too strongly on the VIC name to carry the line. He also wondered how well some of the new launches could be expected to do against the major established brands in the category.

"We're condensing and trying to key in on the important lines," he said.

He also said that he felt the brands that would do well this year would be those that stressed the basics. He says Duane-Reade won't be bringing in any novelty items this year. No bracelets filled with tanning lotions and no zincs.

Genovese Drug

In sun care, Bain de Soleil and Coppertone are nearly neck and neck for the best sellers in Genovese stores, senior H&BA buyer Kevin McGivney says. Possibly because so many kids shop Genovese for sun care items, McGivney reports that his sales are as strong in the tanning oils as they are in the sun protection brands.

"Early in the season, people start off buying the oils and lotions," he reports, "and then as they acquire a good base tan, they seem to come back and start buying the protection brands."

Last year Bain de Soleil's Orange Gelle and SPF 4s did particularly well at Genovese and so did the low SPF Coppertone tanning oils and lotions.

The Aloe Creme sun tanning line was also very strong at Genovese, where McGivney says it has a strong regional brand following. The Aloe Sun Fashion Tan After Tan was particularly successful last year.

The Eclipse line also did well in Genovese stores and Cancer Garde is in the chain's permanent year round set. The Pre Sun 28 did very well here last year and Shade and Sun Down were also strong.

McGivney tries not to use too many sun care displays: he thinks they sell best off the shelf in the seasonal aisle.

Tnis year, McGivney is bringing in all of the new lines including Protecteur Gentile from Bain de Soleil, Piz Buin from J & J and the new Vaseline Intensive Care sun care line.

He expects they will all do well, but to squeeze them in, McGivney says he will cherry pick the major lines and cut out some of his regional brands.

On a seasonal basis, Genovese merchandises sun care in an 8-foot to 16-foot set in the seasonal power aisle. They also maintain their regular 3-foot sun care department in the skin care aisle.

McGivney says he tries not to use too many displays for sun care, however, because he thinks the category sells best off the shelf in the seasonal aisle.

Freddy's Discount Drug

In the sun care department, Freddy's strongest growth is coming from its sun protection brands.

Freddy's had a strong 1988 in suncare. Buyer Michelle Reitz estimates that overall sales were up between 25 percent and 30 percent.

The higher SPFs sell the best at Freddy's, and Reitz feels it is because more people today are concerned about sun protection.

During the peak selling season, sun care gets about 12 feet in Freddy's stores. Off season, Freddy's maintains about a 3-foot set for "snowbirds".

Coppertone and Bain de Soleil are the two best selling tanning brands, while Shade, Pre Sun and Sun Down do the best job in protection.

Reitz thinks the new Protecteur Gentile line from Bain de Soleil will do very well this season. She feels it will especially appeal to the upscale customer.

She has mixed feelings about J & J's Piz Buin. "A lot of times we'll get products imported from Europe and they won't sell as well here because Americans and Europeans are different. However, our upscale customers might like the line."

This year, Freddy's has slimmed down its sun care mix to make way for new enterants. Reitz says she's dropped a number of SPFs 25 while keeping some 20s and 22s. However, she says the 15s are her best sellers.

Drug chains get share of strong hair care sales growth

Continued from page 13

Home perms

Buyers report that the home permanent segment remains flat, and Nielsen numbers agree with that. However, some buyers speculate that Toni Epic Waves from Gillette may add new life to the category.

Buyers say Epic Waves seems to be an innovative type of perm. Because it has one formula that can be used every month, it could increase frequency of use. It also has a formula that delivers a "temporary perm" that may attract more women into trying a home perm for the first time.

Gillette plans to support Epic Waves with a two-year, $21 million marketing campaign, including $13 million on television and print in 1989.

Revlon also has a relatively new perm, Perfect Touch, launched last year. Revlon doesn't have a big ad budget for Perfect Touch, but they will be breaking print ads for the first time in April that will run at peak periods throughout the year.

Revlon also has chosen a very moderate price point for Perfect Touch, and most retailers have been featuring it with a rebate for about $3.99. In contrast, Epic Wave will retail for $8.99 everyday.

Perfect Touch has been in most stores since the fall, and several buyers say sales have been slowly, but steadily building.

Thinning hair

Many buyers see a new specialty segment emerging: conditioning products meant to thicken thinning hair.

Thanks to the success of such department store brands as Foltene and Nutriplexx, this segment grew from virtually zero sales to over $100 million last year. Many buyers believe there is an opportunity for mass retailers to create a new category of lower priced products.

Most buyers say they have been doing well with some of the new mass treatment lines, including Folicure and Freeman's Thinning Hair Solutions.

Now Revlon is launching its Nutrasome thinning hair line, and Shulton is bringing out Thrive, a three-product line that Shulton wants to merchandise in men's grooming departments.

Shulton will begin spending $12 million in May to support Thrive, while Revlon has said it will spend at least $5 million on Nutrasome throughout the year.

Shulton's management is predicting that the thinning hair segment could be a $330 million-plus business by the year 2000.

Buyers agree that if enough new products come out and manufacturers support them with aggressive advertising, the thinning hair treatment segment could become the next hot growth area.

See how shoppers take to Sears — Page 6

Drug Castle Tampa franchise grows — Page 105

Overmedication of elderly patients — Page IP13

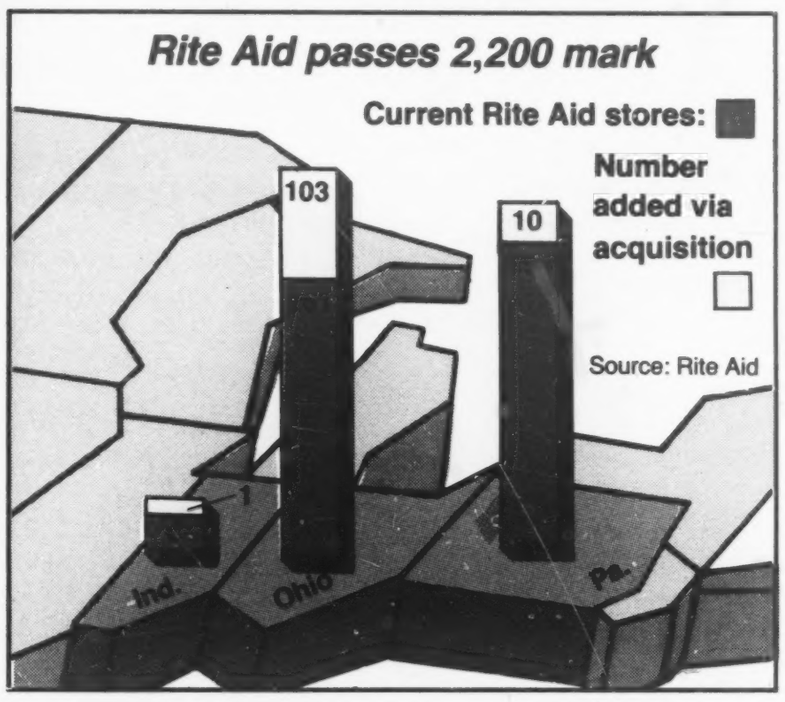
SECOND CLASS

DRUG STORE NEWS

Vol. 11/No. 6 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. March 20, 1989

Rite Aid to buy 114 Peoples stores

Stores in Ohio, Ind. & Pa. first to go in Imasco's planned 240-store selloff



By Susan Ball

SHIREMANSTOWN, Pa. — Rite Aid Corp. will expand its store presence in Ohio by nearly 50 percent and add units in two other states with its agreement, reached March 2, to buy 114 Peoples (Lane Drug Co.) stores from parent Imasco Ltd.

Although the terms weren't disclosed, a source familiar with the deal estimated Rite Aid will pay between $65 million and $70 million for the units, or roughly $588,000 per store. "That's an attractive price," the source said.

Martin Grass, Rite Aid executive vp, said he could not comment on the price or the source's estimate, but did say, "We're pleased with the price. It's similar to what we paid for other acquisitions."

The transaction would add 103 stores to Rite Aid's 261 units in Ohio, 10 stores (mostly around and south of Erie) to its 294 in Pennsylvania, and one store (in Angola) to its six in Indiana. And it would propel Rite Aid into the No. 1 market position in Canton and Toledo, Ohio, where Peoples has 42.0-percent and 40.8-percent shares, respectively, according to Metro Market Studies. Rite Aid is currently in third position in Canton (with an 18-percent share) and fourth in Toledo (6-percent share).

'We're pleased with the price. It's similar to what we paid for other transactions.'
— Martin Grass
exec. vp, Rite Aid

It would also give Rite Aid a 100,000-square-foot warehouse in Toledo. Rite Aid's Ohio stores are currently served by its warehouse in Nitro, W. Va. Grass said at press time that management planned to

See **Rite Aid,** *page 105*

Phar-Mor pushes west to Denver in 50-unit expansion

ENGLEWOOD, Colo. — Like a retail blitzkrieg, Phar-Mor continues to roll into new markets and shore up market share in what is perhaps the most aggressive expansion pace in drug store retailing. The chain's newest target is Denver, where the first Phar-Mor opened Feb. 22 in this bedroom community south of the city.

The Denver opening marks the farthest point yet in Phar-Mor's drive westward. And as in its past market incursions, the chain will move quickly to capitalize on its newfound presence in the Mile-High City.

"We hope to open three to four stores in the Denver market by the end of the year," said company spokesperson Carol Robinson.

Those openings are part of a planned 50-store expansion in 1989 by the chain, which currently numbers 118 deep-discount drug stores in 18 states.

See **Phar Mor,** *page 105*

Jack F. Schlegel, Pharm.D.
leaves APhA post

APhA launches exec search as Jack Schlegel leaves top spot

By Harold Cohen

WASHINGTON — Jack F. Schlegel, Pharm.D., president and ceo of the American Pharmaceutical Association (APhA) for the past five years, has resigned. A search committee has been created to look for his successor.

Dr. Schlegel's resignation comes just weeks before the association's 136th annual meeting in Anaheim, Calif. According to Tina Pugliese, APhA's public relations director, rumors "started to fly" following Schlegel's surprise announcement of his resignation. Pugliese quickly put such rumors to rest by saying that Schlegel plans to "relax, write and take it easy."

In an interview with *Drug*

See **Schlegel,** *page 105*

Our checkstand survey shows evolving profile of merchandise choices

NEW YORK — Film, batteries, razors and blades are most favored as year-round items at the checkstand.

They have gained at the expense of candy/gum, cigarettes/tobacco and magazines—which are still regarded highly as checkstand items, but have been outstripped by the top three, according to a comparison of *Drug Store News'*

See also p. IP23 for a pharmacy checkstand feature

1989 Checkstand Merchandising Survey with this same study conducted two years earlier.

The checkstand profile changes each year. New categories emerge, as others are trimmed. Videotapes are fairly new here, for instance.

And marketing approaches vary widely. For insights into categories, strategies, and everything you ever wanted to know about checkstand merchandising, see special coverage inside on pages 9 to 14 and page 63.

LATE NEWS

- WOONSOCKET, R.I. — CVS has promoted seven top executives, including: Gary Charboneau to executive vp-marketing; Robert Fiorelli to senior vp-purchasing; Ralph Weisgerber to senior vp-finance; Dennis McMullen to senior vp-real estate; Bradley Voelz to senior vp-warehousing and distribution; Charles Hutchinson to senior vp-human resources, and Thomas Ryan to senior vp-pharmacy.
- NORTHPORT, Ala. — Harco Inc. announced the formation of an Employee Stock Ownership Plan, which is funded solely by company stock or cash. Harco wants to be "the best retail company in the nation for the people who work and shop there," said president Jim Harrison Jr.
- HARRISBURG, Pa. — An investor group led by Alex Grass has acquired Super Rite Foods for $137 million in cash and securities, Dow Jones reported. Grass is chairman of Super Rite and of Rite Aid, which owns 47 percent of the food company.

NEWS IN BRIEF

Ex-Begley employees suing Rite Aid

LEXINGTON, Ky. — Five former Begley Co. employees have brought a class action suit against Rite Aid, charging that they were wrongfully discharged after Rite Aid bought the 43-store company last year.

The suit, filed in Fayette (County) Circuit Court here Feb. 3, seeks unspecified damages against the company. The five plaintiffs include two former warehouse employees, two former store managers and a former truck driver.

Their attorney, Jim M. Alexander of Lexington, said, "Basically, they allege that Rite Aid came in and made promises to Begley employees, many of whom were also

See related story page 1

Begley shareholders, that if they would go along with the takeover and tender their shares, they would keep their jobs."

Attorney Barbara Edelman of Wyatt, Tarrant and Coombs, a Kentucky law firm, who is representing Rite Aid, said, "We deny the allegations. The terminations were totally proper and appropriate, and there is no basis for the lawsuit." Rite Aid had no further comment on the suit.

The Begley warehouse in Richmond, which Rite Aid acquired, has been emptied of drug store merchandise and is currently being used primarily for the former Begley drycleaning business.

Charboneau named CVS exec. vp-mktg.

Charboneau

WOONSOCKET, R.I. — Gary Charboneau has been named executive vp-marketing at CVS. He is responsible for purchasing, advertising and sales development, as well as store merchandising functions, and will continue to report to CVS president Harvey Rosenthal.

Charboneau, who joined CVS in 1978 as director of advertising, was most recently senior vp-marketing.

Charboneau will have primary responsibilty for supporting the growth of the Melville Corp.'s drug retailing division. CVS, which now owns and operates 765 drug and H&BA stores, plans to add 55 to 60 new stores in existing markets in 1989, a company source said.

Will condoms require expiration dates?

ALBANY, N.Y. — Members of the Albany state assembly, by a vote of 125-14, moved to require an expiration date on condom packages, after supporters argued that as condoms get older, their breakage rate increases. The bill also called for a $500 fine for any store owner who sells an old condom to an unobservant consumer.

The legislation, now to go before the senate, refers to condoms stored in heated warehouses or sitting on drug store shelves for long periods of time. The bill, however, doesn't designate a certain length of time before a condom "expires"—that date is made by the manufacturer.

DuBow appointed to Cardinal board

DUBLIN, Ohio — Lawrence J. DuBow was appointed to the board of directors of Cardinal Distribution. DuBow is the founder and former president of Lawrence Pharmaceuticals, Inc., based in Jacksonville, Fla., which was an independent wholesale drug company before its sale to FoxMeyer in 1986.

DuBow founded Lawrence Pharmaceuticals in 1957. He served as chairman of the National Wholesale Druggists' Association (NWDA) in 1986 and is a member of NWDA's senior council.

Bergen switching to one-share one-vote

ORANGE, Calif. — Bergen Brunswig is now moving toward a "one-share one-vote" company with the completion of its recapitalization plan. The drug wholesaler's plan will take control of the company away from the Martini brothers and place it in the hands of the general shareholders by February 1994. Although a lawsuit challenging the move is pending, Bergen said the recap plan was allowed to close.

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Vol. 11, No. 6 March 20, 1989

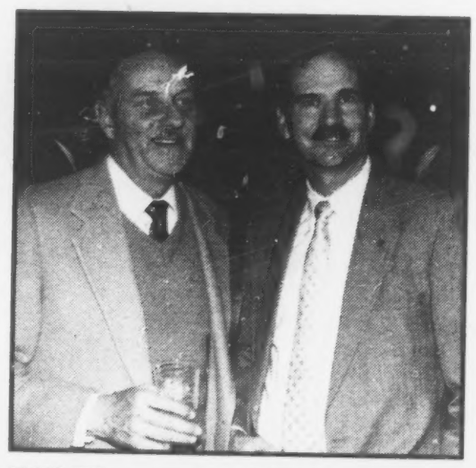
PICTURES IN THE NEWS

Several members of the pharmaceutical industry pose for *Drug Store News/Inside Pharmacy's* camera at NCPDP's annual conference. Pictured from left to right are: Scott Hughes, director of professional relations, 3 P.M./McKesson Corp.; Bruce Campbell, director new product development, Medi-Span; Bill Lockwood Jr., president-publisher, ComputerTalk Associates; Paula Unold, supervisor-operations, and Tom Scott, president, 3 P.M./McKesson Corp.; and Veigh Summers, R.Ph., director of sales, Medi-Span.

Warren Nelson (far left), assistant controller, Jack Eckerd Corp.; Russell Fair, manager, third party pay, Giant Food (second from left) and wife Alexa (far right); and Nola Moon, third party accounting manager, Jack Eckerd Corp.

Bob Shapiro, vp, Perry Drug Stores (left), with Kenneth Anderson R.Ph., vp, director of professional relations, Medicare-Glaser Corp.

Chuck Hauris, manager store systems, Revco Drug Stores (far left), Barbara Reed, manager pharmacy services, Revco Drug Stores (second from left) and James Wright (with wife Helga), technical analyst-government affairs, Revco Drug Stores.



Bill Thompson, pharmacy relations, Blue Shield of California (left) chats with Luigi DeBoni II, consultant to health care industry.

Chuck Reed, group director, customer service, Bergen Brunswig Corp. (left) stands with Richard Cohan, group vp, Health Care, National Data Corp.

Prescription drug program council meeting draws 350 to Scottsdale

SCOTTSDALE, Ariz. — More than 350 people turned out for the 12th Annual Conference of the National Council for Prescription Drug Programs, held here recently.

The group, representing all facets of pharmacy, discussed timely topics facing participants in the third-party prescription arena. Features included a panel discussion on physician's dispensing for profit, an update on integrated electronic messaging, and presentations on the catastrophic Medicare bill. The association, headquartered in Phoenix, has more than 500 active members.

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TRENDS

Pay Less NW, in its prototype, shows it understands the impact of a well-organized checkstand presentation to capture attention and impulse sales.

CHECKSTANDS: Last chance to impress

The place where customers part with their bucks is one of the most heavily studied, and controversial, areas of the drug store.

Methodology of the study

The stories and charts in this special section describe how drug chains are merchandising and managing the checkstand area today. The charts display highlights from *Drug Store News'* Fourth Annual Checkstand Merchandising Study.

As in past years, the survey is based on 60 interviews with those who have direct responsibility for checkstand merchandising decision-making.

From the top 100 drug chains in dollar volume, 15 headquarters executives were interviewed, and from the next 100 another 15.

At each of these chains, interviews were also conducted with one store-level person bearing checkstand responsibility.

By David Vaczek

NEW YORK — The checkstand is the drug store's final chance to impress shoppers and induce them to buy more.

It's no surprise, then, that the checkout area is one of the most heavily studied areas of the store—and one that seems to be remerchandised frequently.

Even high-margin, high-turn checkstand staples such as candy and gum must continuously prove themselves. Surging categories such as batteries and razor blades—which produce high profits and appeal to impulse purchasers—are challenging for space.

Headquarters' merchandise directors, buyers and store managers—not to mention product vendors—all have ideas about what works best. The disagreement extends to whether a heavy inventory is even desirable at the checkout area and around it. Eckerd in the Southeast and most recently Austin Drug in Long Island, N.Y. have shown a recent preference for less cluttered checkstand areas, for convenience and easy access.

Most chains, though, favor using the counter, endcap and floorstand displays at checkstands for maximum sales impact. After all, that 50 cent-candy bar multiplied by 5,000 weekly customers, and then again by perhaps 200 stores is nothing to sneeze at—even less so if its margin is 50 percent.

"It's your last opportunity to make your customer happy and give her the opportunity to spend a little extra money," said Bob Little, Big B's vp-operations.

"It's got to be attention-getting, and something all your customers will consider buying," Little adds.

The need to buttonhole the on-the-go customer, and a concern to send a positive health image have influenced a shift in the checkstand product mix.

Among items that are making greater inroads at checkstands: batteries, film,

Continued on page 11

Who decides on the checkstand?

(Percent who said position is "very involved" in checkout area merchandising)

	HQ respondents	Store-level respondents
Headquarters positions		
Director of merchandising	33%	13%
Buyer	17	13
Vp/director of operations	10	10
President/owner	3	13
District/regional manager	10	7
Merchandise manager	10	7
Executive vp/vp	—	7
General merchandise manager	3	3
Vp-purchasing	3	—
VP-marketing	3	—
Other HQ positions	10	7
Store level positions		
Store manager	63	60
Head cashier/clerk	10	17
Assistant store manager	3	17
Department manager/ front end manager	7	10
All other store-level posts	—	3

Source: *Drug Store News* survey

TRENDS

Continued from page 9

razor blades, videotapes, books and magazines.

Rite Aid, in many of its retrofitted stores, has put all its battery, film, razor blade and condom inventory on a pegboard behind the cashier service counter. Although shrink curtailment was the original concern, Gerry Cardinale, vp-merchandising, said the improved exposure at checkout has improved sales beyond expectations.

"It's easier to see, and almost every customer goes to the checkout," Cardinale observed.

At its supermarket-style checkouts, Rite Aid favors the high-margins and fast turns of imported toys at under a dollar (displayed countertop in 12-piece shippers), and candy and gum.

For its part, Harco Drugs has spurred a 100 percent increase in razor blade sales at checkout, after replacing a small Gillette razor display with a larger one at its service counter. The Alabama chain also installed a 4-foot candy bar section. And it has started to display popular battery configurations, 2-packs of Eveready and Duracell, at racks at the end of the service counters. With their 34 percent margin on promotion, batteries are the most profitable item at checkout, Charles Reinhart, Harco's director of merchandising, told *Drug Store News*.

"You have to be competitive and [batteries] are just a natural pick-up item. Like [cigarette] lighters, they move real well," Reinhart said.

Another category that has paid its way at Harco since it

Continued on page 12

Checkstand merchandising study

Products wanted at checkout all year long

(Percentage of total respondents: 15 most-named products)

Candy/gum	63%
Film	25
Cigarettes/tobacco	23
Batteries	20
Razors/razor blades	20
Books/magazines	15
Lip balm	15
Cold products/cough drops	10
Cigarette lighters	7
Novelty items/trend items	7
Snacks	7
Aspirin	7
Allergy products	5
Soft drinks/soda	5
Antacids	5

Source: *Drug Store News* survey

Highlights of the study:

- Batteries, razor blades and film are more in demand for the checkout counter by drug chain headquarters and store-level managers. Twenty percent of respondents said they want batteries at the checkout, compared with 14 percent in 1986. Film—wanted at checkout by 10 percent two years ago—is a key checkstand staple for 25 percent this year. Desire for razor blades at checkout jumped from 10 percent in 1986 to 20 percent this year.
- Candy/gum leads again as the product most wanted year-round, by 63 percent, followed by film and cigarettes/tobacco.
- Batteries outstrip all categories as the most profitable, earning the votes of 38 percent of those with batteries at checkstand.
- Novelties/souvenirs, videotapes/cassettes, and greeting cards/calendars/magazines led as new checkout items.
- Freestanding floor displays are used by 73 percent, compared with only 57 percent last year. Dump bins lost ground.

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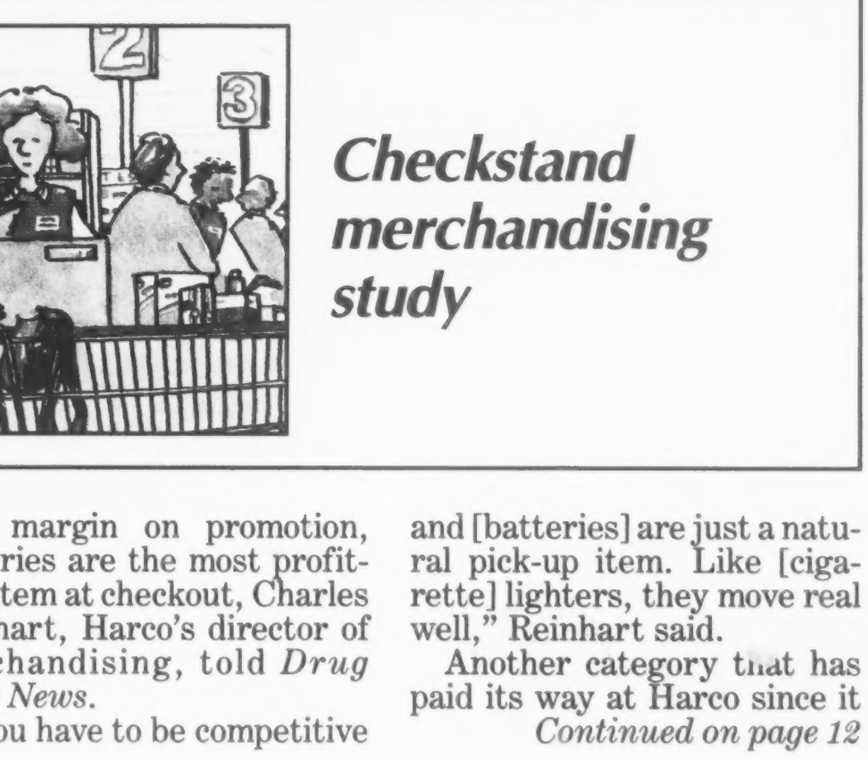

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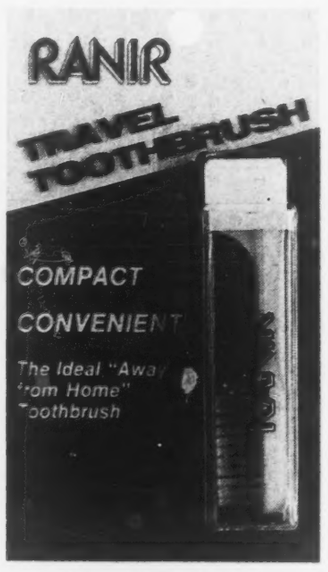

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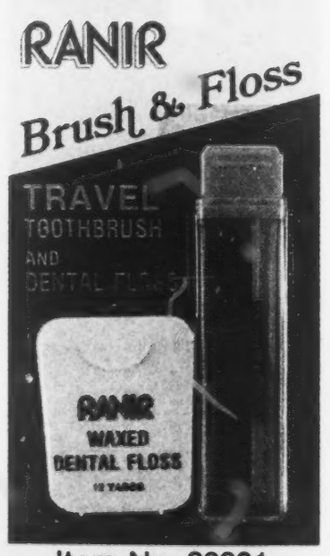

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Item No. 76003

Checkstand merchandising study

Continued from page 11

was put in two years ago are books/magazines. Display allowances help keep them profitable.

Wellby Drug's product displays behind service counters changed a great deal when the chain added movie cassettes for its Guaranteed New Release program, which promises availability of the latest titles.

The clerk-dispensed videos occupy from 40 feet to 100 feet of shelf space. Film was bumped from behind the counter to accommodate them, though film does remain near the checkout in floor and minigondola displays, Jim Bigl, operations specialist, said.

The video program—in all but one or two stores—has generated a strong response, boosting traffic for other categories.

That's not to say the traditional staples aren't holding their own. Candy/gum is a top checkout performer at some Longs Drugs stores for its 25 percent to 35 percent gross margin.

Checkout configurations and front-end merchandising approaches vary widely across the industry.

As at many chains, Wellby's

Continued on page 93, added coverage on page 14

The top ten favored display systems

(Percentage who said they use the system)

Countertop displays	82%
Cigarette racks	80
Freestanding floor displays	73
Candy/gum racks	70
Vertical displays	62
Magazine racks	62
Bins for dumping	47
Clip strips	43
Wire racks	42
Horizontal displays	40

Source: *Drug Store News* survey

Most preferred products for seasonal display

(Five products named "most wanted" checkstand items for each season)

Winter	
Lip balm	27%
Cold products/cough drops	25
Ice scrapers	13
Novelty/trend items	7
Candy/gum	5
Spring	
Novelty/trend items	17
Candy/gum	12
Lip balm	10
Garden gloves/seeds/garden supplies	8
Allergy products	7
Summer	
Suntan products	45
Sunglasses	12
Film	5
Batteries	3
Books/magazines	3
Fall	
School supplies	27
Candy/gum	13
Novelty/trend items	12
Lip balm	8
Film	5

Source: *Drug Store News* survey

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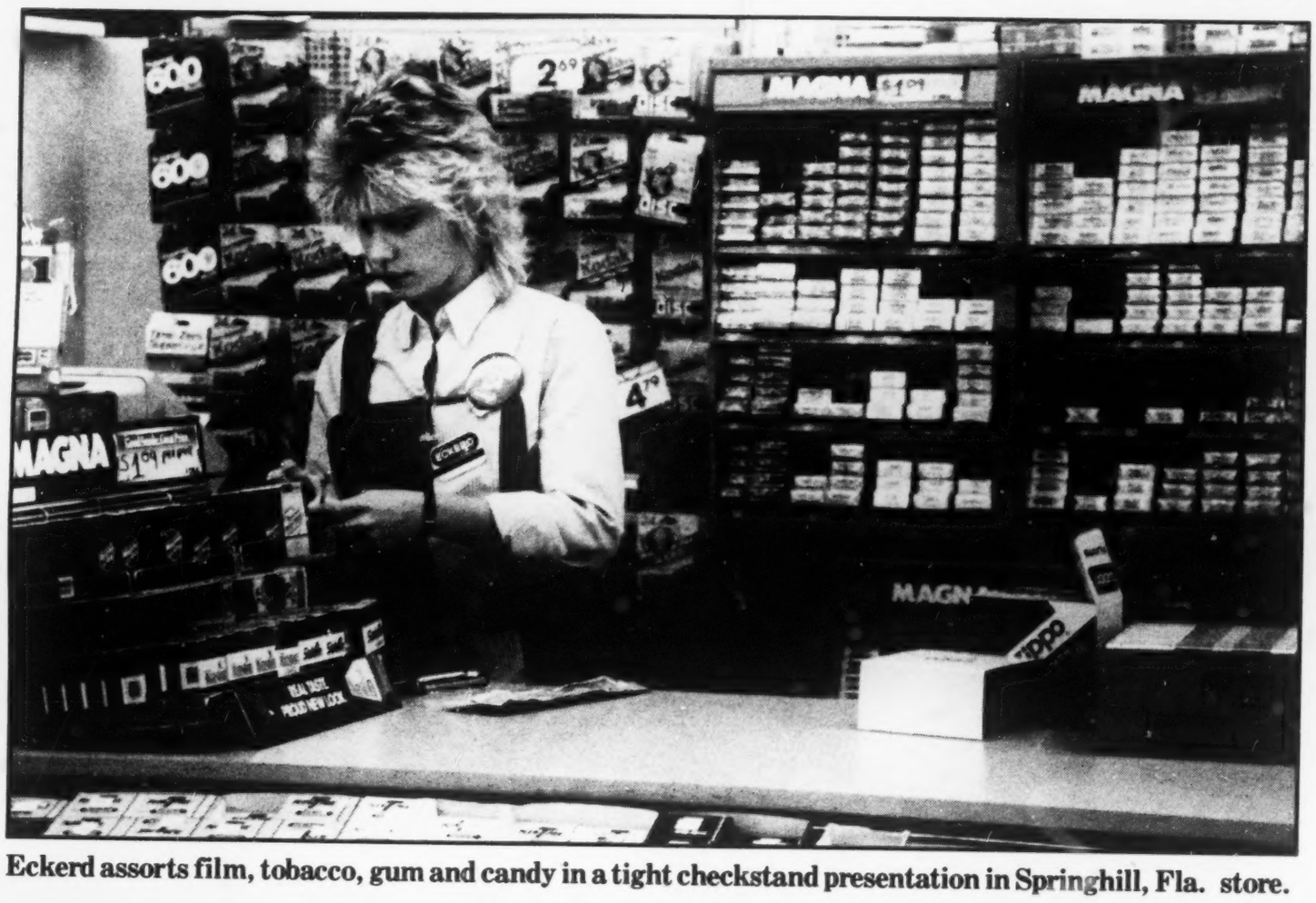
TRENDS

Checkstand merchandising study



Eckerd assorts film, tobacco, gum and candy in a tight checkstand presentation in Springhill, Fla. store.

Retailers rate most profitable checkout categories

	No. of respondents who carry product (out of 60 respondents)	Percent ranking it no. 1 in profitability
Batteries	29	38%
Candy/gum	30	13
Film	27	15
Sunglasses	22	18
Cigarettes	27	4
Giftware/jewelry	11	9
H&BA trial sizes	19	5

Source: *Drug Store News* survey

Batteries pack profit punch at drug store checkstands

Batteries pack the most profit punch at the checkout, headquarters respondents to the *Drug Store News* Checkstand Merchandising Survey, said by a wide margin.

Among those who sell batteries at checkout (29 of the 30 headquarters respondents), 38 percent named batteries as most profitable. Last year, they were judged fourth most profitable, following candy/ gum, lip protectors and nail clippers.

Candy/gum, while carried by all 30 chains, was judged most profitable by only 13 percent.

Sunglasses—the twelfth-ranking category in 1987—ranked much higher this year; 18 percent named it most profitable at the checkstand.

Film also improved its ranking to be among the top four. Fifteen percent judged it most profitable.

Cigarettes, carried by 27, were named by only 4 percent; that compares with 9 percent who ranked tobacco most profitable in last year's survey.

INTRODUCING Djeep Junior

New Djeep Junior comes in bright colors, soft colors, strong colors—a dazzling array of the *right* colors to attract *all* customers.

And Djeep Junior is the *only* compact disposable lighter with both adjustable flame control and double tank construction. A quality lighter loaded with *extra* consumer value.

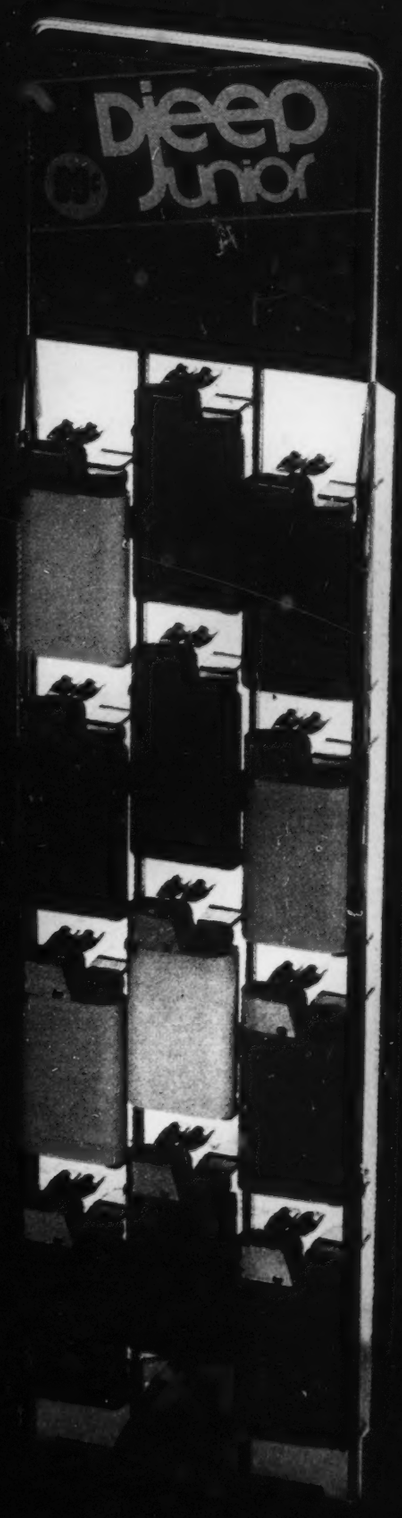
Feature the unique display . . . peg the striking blister packs . . . listen to the register ring.

quality by design

- Precision engineered
- Positive flame control
- Multiple tank construction
- Unconditional performance guarantee

DISTRIBUTED BY

General Cigar Co., Inc.



Factors considered "very important" for choosing checkstand products

(Percentage of total respondents)

Criteria	Response
Impulse purchase potential	92%
Quick turnover	83
Broad consumer appeal	75
High gross margin	67
Sales per square foot	50
Reduced theft risk	40
Items of excellent value	30
Display allowances	23
Availability of vendor display	22
Items on sale	17

Source: *Drug Store News* survey

New products gain checkout space

(Fifty-three percent of respondents placed new products at the checkout in the past year; percentage of those who placed new products in each category)

Novelties/souvenirs	19%
Videotapes /cassettes	10
Greeting cards/calendars/magazines	10
Home test kits	10
Jewelry	6
Health products/diet products	6
Flea collars/dog collars	6

Source: *Drug Store News* survey

Checkstand merchandising study

Experimentation spurs use of freestanding floor displays

Retailers' attempts to address the growing ranks of impulse shoppers have given birth to wide-ranging experimentation in point-of-purchase displays. These help explain why freestanding floor displays have gained in use at the checkstand, according to *Drug Store News*' Checkstand Merchandising Study.

Among total respondents at headquarters and stores, 73 percent said such displays are used at the checkout. That was the third-highest response level; countertop displays were named by 83 percent and cigarette racks by 80 percent.

In comparison, freestanding displays were ranked last year in the eighth position, named by 57 percent.

Dump bins posted the biggest drop from 1987, falling to 47 percent from 63 percent.

New cigarette displays were popular, including RJR-Nabisco's four-and-five-sided displays, and new wire racks.

Yet respondents otherwise saw little novelty emerging in display systems: 93 percent said they are not aware of new or modified displays being offered.

Continued from page 12

typical front end is a combination of a service-counter and "quick check" or supermarket-style checkout system. Many Longs Drug stores front their supermarket-style checkouts with three-sided endcaps, a store-level source reported.

Shoppers Drug Mart's checkout configuration, known as the "open U", puts a register on each leg of a U-shaped counter. The U's closed part faces inside the store. Baskets of lip balm, blades and film are often displayed on the counter, Stan Thomas, senior executive vp-marketing, said. Shoppers Drug Mart also devotes prime space to candy on the 10-foot-long service counter.

Harco and Austin Drugs in New York use only the service counter or "broad-bench" checkouts. Austin has decided recently to unclutter its front. Batteries, for example, have gone in-line. And promotional displays of cigarettes have also been phased out, although cigarettes are still sold behind the counter.

The single hard constant at checkstands is product performance—marked by impulse appeal, high margins and rapid turns.

Austin has begun to mount countertop displays of several of the hottest items being advertised in the chain's circulars.

Decision making

Checkstand strategy setting varies widely by chain as well. For instance, Longs store managers have wide leeway in deciding which products to sell up front and how much space to devote to them.

In fact, they don't even have to use the standard "Life Line" fixture, according to one store manager. Store managers at most large chains have far less leeway.

At Wellby, store managers are consulted, but decisions are left to category buyers and district managers.

At Harco, a committee of buyers and merchandise managers develops checkstand planograms. Products are evaluated in 4-foot increments on the basis of profits and turns.

Shoppers Drug Mart's franchisee-owners receive planogram guidelines from headquarters, and are allowed to modify them.

The single hard constant at checkstands is product performance—marked by impulse appeal, high margins and rapid turns. Every year, more products claim to have these characteristics, and drug chain managers can't afford to ignore their potential.

Many would agree with Welby's Bigl on how to handle this vital territory: "We are constantly shifting our front-end merchandise to provide the best profits and turns. If you get stale and you don't look at those things, you're going to lose your business."

Impulse items most often displayed on endcaps near checkouts

(Percentage of total respondents)

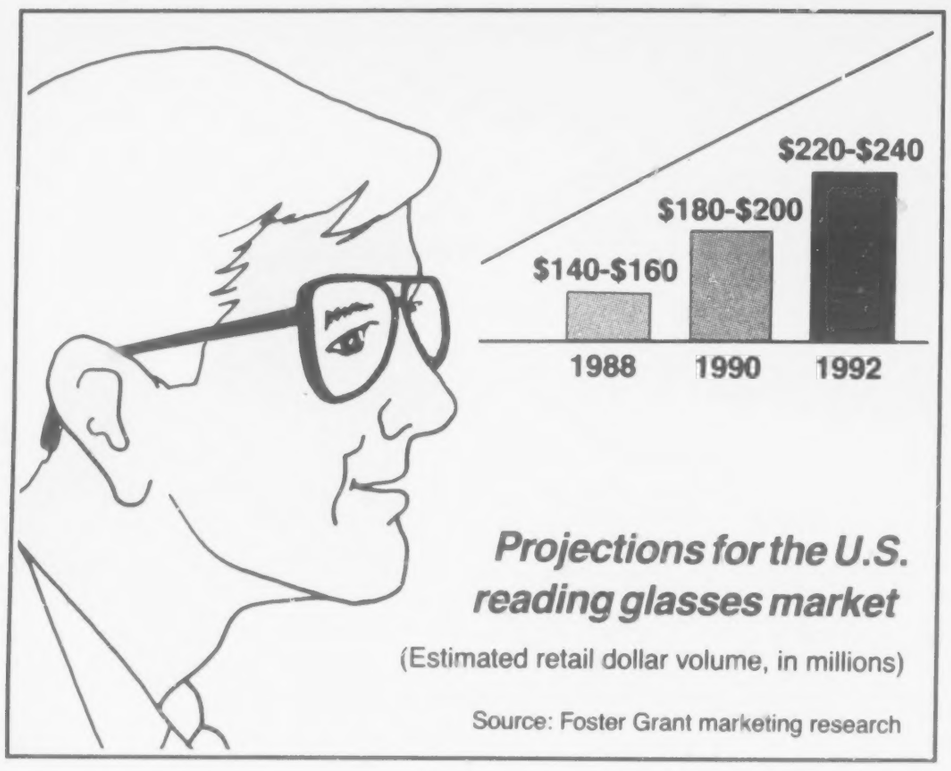
Seasonal products	53%
H&BAs	33
Advertised specials	30
Promotional items	23
Sale and new merchandise	20
Candy/gum	13
Batteries	12
Cookies and snacks	10

Source: *Drug Store News* survey

ALITY FILM PROCESSING
3.19
Sunday is Half Price Prints Day
Now you can see your favorite movies, slides & prints on your VCR
VIDEO TRANSFER

At LaVerdiere's, Gardiner, Maine, the checkstand is filled with high-margin, fast-turn products, and has signs promoting big-ticket film-to-videotape transfer and photofinishing services.

TRENDS



New Yorkers see clearly as retailers grab share of reading glasses sales

NEW YORK — Consumers in the Big Apple are reading with greater clarity since the state became the nation's last to permit the sale of OTC magnification reading glasses.

Drug stores in the state have been cashing in on the $150 million category since Nov. 30, when the law prohibiting the sale of reading glasses was repealed.

Reading glasses correct a vision condition called presbyopia, a loss of lens elasticity that leads to a decline in focusing ability. The condition is a natural part of the aging process. Before this law was passed, New York baby boomers typically spent $60 to $100 on prescription reading glasses. Now, they can buy a pair for about $12 to $15.

Consumer awareness and acceptance has boosted the category here, making it a new trading area for manufacturers. "With 7 million people in New York over the age of 40, it's an important market for us," said Howard Brauner, vp-advertising of Magnivision.

Robert Camelier, executive vp/general manager for Pennsylvania Optical said, "For so many years we were locked out of the New York area, but business is coming in daily now."

Foster Grant's director of optical marketing, Ron Desjardins, agreed. "New York has been quite a boon for the category since the law was passed."

Most drug chains in New York started promoting and selling reading glasses during the Christmas season. Buyers said they are pleased with the way consumers' awareness has increased category sales.

At the 47-store Carls Drug Co., based in Rome. N.Y., Scott Kersey, reading glass buyer, said category sales have definitely grown.

"Promotion is the key to increased sales here," Kersey said. Carls advertised the category in preprinted circulars with a $4.00 coupon off Carls' everyday discounted price of $12.88 per pair.

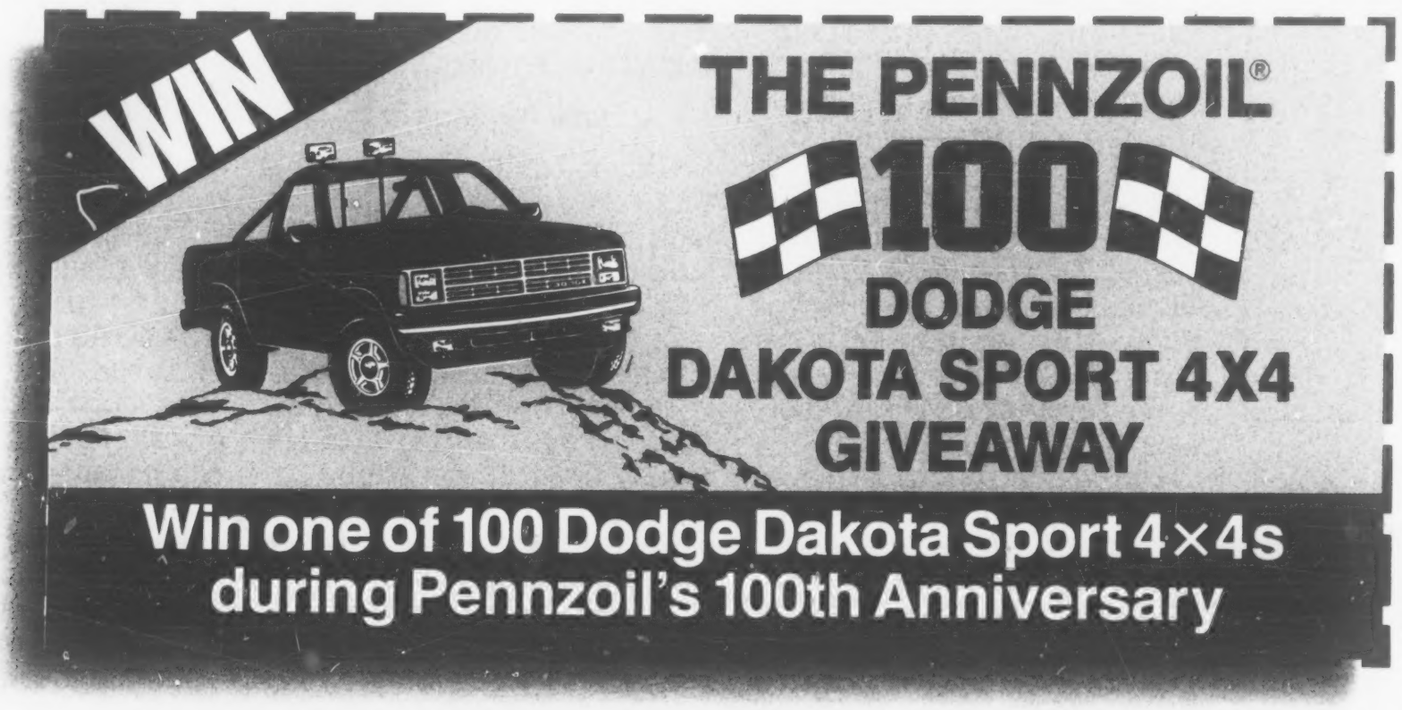
Carls is also considering additional promotions of giving away a free paperback book, or a free eyeglass case, or $2.00 worth of related accessories like nose and temple pads, with every pair.

Pete Rienzi, buyer at Austin Drugs, said its nine N.Y. stores started promoting in January, when the chain ran a $5-off coupon in its circulars. The coupon proved a success, and "they're selling like crazy," Rienzi said.

Kinney Drugs, Gouverneur, N.Y., has run two reading glass ads in its circulars since December. The category has been well received, said Elaine Mattot, buyer, in the chain's 24 New York drug stores.

Not all chains have promoted the category in their New York ads. Rite Aid, with more than 250 stores in New York, is one example. The chain's logo appeared in a full-page ad Magnivision ran in New York newspapers.

Walgreens' store logo was also printed in the Magnivision ad. Eleven New York Walgreens stores have been selling readers since Dec. 1. "Consumers are very interested in the category; the introduction went well," said spokesperson Maryellen Kari. Astrid Caropelo, buyer at Genovese, said consumers have responded "extremely well" at its 74 New York stores. The chain merchandises a free-standing rack in the pharmacy area, because "the consumer needs room and time to stand, try on different styles, and make a decision."



GET BIG PROFITS.
FROM THIS LITTLE COUPON.

IT'S OUR BIGGEST GIVEAWAY EVER!
DURING PENNZOIL'S 100TH BIRTHDAY CELEBRATION!

THE "PENNZOIL® 100" GIVEAWAY
Get ready for heavy traffic. Fast turns. And big profits!

Because Pennzoil, America's #1 best selling motor oil and #1 best selling motor oil for light trucks*, is presenting the biggest vehicle giveaway in motor oil history. Throughout all of 1989!

ONE HUNDRED DODGE DAKOTA SPORT 4X4 PICKUPS!
And while we're giving your customers a chance to win, we're giving YOU a chance to profit big from our generous "party favors," like:

GREAT ADVERTISING/POP SUPPORT
Our year-long "Pennzoil 100" Giveaway will be supported by exciting TV (featuring Indy winner Rick Mears during our Spring Flight, and golfing legend Arnold Palmer during our Fall Flight) and Radio.

You can also receive free attention-grabbing POP materials that include Ceiling Danglers, Shelf Arrows, Buttons, Case Cards, and Window Posters, just by ordering them from your Pennzoil representative.

During this year-long promotion, you'll even be supported by Pennzoil's excellent Quality Campaign and 100th Anniversary Campaign, which are running on Network and Cable television throughout 1989.

GREAT TRADE DEALS:
During this promotional period, you'll receive:
- 28¢ per gallon allowance on all approved Pennzoil cased quart products with an ad promoting Pennzoil by price and grade, plus 2 week, off-shelf display (minimum order: one pallet per delivery location)
- 10% Bonus Co-op Accrual Allowance for using the pre-set World Class Protection® graphic in your ads
- 10% Bonus Co-op Accrual Allowance when Pennzoil's pre-set giveaway promotional artwork is used in your ads

SPECIALLY-MARKED ON-PACK LABELS
You'll never hassle with coupons. Because your customers will find Entry Forms on the back of specially-marked bottles of quality Pennzoil Motor Oil *all year long*.

PROMOTIONAL/ADVERTISING DATES: APRIL 1ST-MAY 31ST (SPRING) SEPTEMBER 1ST-OCTOBER 31ST (FALL)
Contact your Pennzoil® Representative today.
And start getting *big* profits—from our little coupon.

*1988 NPD Automotive

PENNZOIL World Class Protection®

Customer loyalty! Retailers report **90% repeat** purchase rate.
Herpecin-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Rite Aid tries to fend off proposed UMW cuts

SHIREMANSTOWN, Pa. — Rite Aid Corp. is still negotiating with the United Mine Workers after the UMW proposed measures to curb prescription costs for its members.

Chuck Conaway, vp-third party administration for Rite Aid, said that UMW approached the chain with plans to reduce its provider network and cut costs.

"The program they presented was complex," said Conaway. "UMW had a list of the top moving prescription items and proposed discounts off AWP for those in some instances up to 80-percent off AWP for some generics."

Rite Aid fills prescriptions for UMW members in West Virginia, Pennsylvania, Virginia and Kentucky. The chain fills over $6 million in prescriptions annually for UMW members at 101 Rite Aid locations in West Virginia alone, according to Conaway.

The chain, unhappy with the proposed cuts, placed ads aimed at consumers in West Virginia periodicals and newspapers.

The ads describe the financial constraints which would be put on Rite Aid if the new reimbursement level were to take effect. "Calculating the weighted average and the type of volume, the proposed cuts would mean a 20-percent reduction in Rite Aid's profit," said Conaway.

Conaway said the ads have produced a favorable response from consumers. "We get calls on a daily basis and questions at the store level," he said. "Customers are saying that they like their Rite Aid pharmacy and our pharmacists and don't want to lose the ability to have their prescriptions filled with us."

"In some rural areas, Rite Aid stores are the only pharmacies in the area," said Conaway. "We are reassuring customers that we are trying to work things out with UMW. The last thing we want to do is inconvenience our customers."

Talks continue with UMW representatives, according to Conaway. "We are willing to work with them on a more competitive reimbursement situation, but we will not be able to accept the terms they have proposed. All indications show they seem to be willing to cooperate with us," he said.

1988 drug sales remained flat; total prescriptions filled up only 0.8 percent

NEW YORK — The 1988 U. S. prescription drug market remained relatively flat compared to 1987. According to Pharmaceutical Data Services, the Phoenix-based marketing company, total number of prescriptions filled increased 0.8 percent, to just under 1.5 billion.

The company reports that although new prescription activity was up slightly in 1988, it was counterbalanced by a slight decrease in refill prescriptions. Price increases of prescription drug products throughout the year caused a rise of 7.5 percent in overall sales volume for the year.

PDS ranks the following as the top pharmaceutical companies, based on retail sales: (1) MSD, (2) SKF, (3) Upjohn, (4) Pfizer, (5) Glaxo Pharm., (6) Lilly, (7) Wyeth, (8) Marion, (9) Syntex, and (10) Rugby.

Top 10 products based on U. S. retail prescriptions sales

(At acquisition cost)

1. **Zantac** (Glaxo Pharm.)
2. **Tagamet** (SKF)
3. **Cardizem** (Marion)
4. **Naprosyn** (Syntex)
5. **Xanax** (Upjohn)
6. **Capoten** (Squibb)
7. **Tenormin** (ICI)
8. **Ceclor** (Lilly)
9. **Procardia** (Pfizer)
10. **Vasotec** (MSD)

Source: Pharmaceutical Data Services

McK's '89 trade show set for July in Hawaii

WAIKALOA, Hawaii — McKesson Drug Co.'s annual trade and travel show will run July 6-16 at the Hyatt Regency here. About 450 vendors will exhibit.

Innovations allow NY pharmacies to communicate with deaf persons

NEW YORK — Pharmacies in the state will now be able to communicate with deaf and hearing impaired persons over special telecommunications devices which so far have been installed in 38 pharmacies.

Using the machine, a deaf or hearing impaired patient can use this telephone hook up to communicate directly with participating pharmacies.

The project has been pioneered by the Pharmaceutical Society of the State of New York and is being promoted by the Pharmaceutical Education and Public Relations Foundation, Inc.

The equipment costs a participating pharmacist about $300 to install, according to Herb Mindlin, executive director and chairman of the foundation. "The equipment is self contained and easy to use," said Mindlin. "Now deaf or hearing impaired patients can order the medication they need without relying on the help of someone else."

Mindlin said the foundation will also prepare directories of participating pharmacies which will be distributed to support agencies working with deaf and hearing impaired persons.

Another service available through participating pharmacies will be braille directions on prescriptions for blind patients.

Washington Perspective

Ken Rankin

Pharmacists' response to Medicare drugs: lukewarm

When they uncorked their new rules governing pharmacy reimbursement under the new Medicare catastrophic Rx program, Health Care Financing Administration (HCFA) officials expected 90 to 95 percent of the nation's pharmacists to agree to participate.

They were shocked, therefore, by the chilly response from many chains and independent pharmacies. Indeed, HCFA is finding that 35 to 40 percent of all retail pharmacists don't want any part in participating in the new Medicaid out-patient drug plan, according to their figures.

That's despite the fact that reimbursement rates have been set to encourage widespread participation by the pharmacists. Under the program's formula, participating pharmacies receive a dispensing fee of $4.50 per Rx, while non-participating drug stores receive only $2.50.

One reason for the lackluster enthusiasm for the new Medicaid Rx plan: third-party "burn-out" by many pharmacists after a frustrating quarter century of dealing with draconian Medicaid reimbursement schemes and claims submissions.

In return for giving up $2.00 per Rx in reimbursement, non-participating pharmacies avoid all Medicare record-keeping and claims submission responsibilities.

APhA sings the 'black box' blues

Those little "black boxes" that HCFA promised to provide to all pharmacies participating in the new catastrophic Medicare drug program will be designed primarily to transmit Rx claims from drug stores electronically. But will the government-supplied point-of-sale (POS) data transmitters also serve as an electronic early warning system to protect Medicare patients from adverse drug reactions and drug interactions?

HCFA officials have suggested that they will perform these duties. Officials at the American Pharmaceutical Association, however, don't believe it.

Indeed, APhA officials concluded, without extensive testing it would be doubtful "that the POS system being planned by HCFA [would be able] to function as a clinical data resource for pharmacists."

Thomas E. Menighan, APhA state liaison, suggested that participating Medicare pharmacists may not even be able to rely on the HCFA system for dependable claims transmission.

Proposing that "the Medicare Catastrophic Coverage Act, with the initials MCCA, be referred to as 'Mecca,'" Menighan suggested that "every time a provider keys a prescription order into the computer, they face East, hit the ENTER key, and pray!"

Here come OTC 'morning after' birth control pills

Well, not exactly here, but in Denmark government authorities have announced plans to allow non-prescription sales of ethinylestradiol and levonorgestrel—a so-called "morning after" oral contraceptive currently approved for marketing there on a Rx basis.

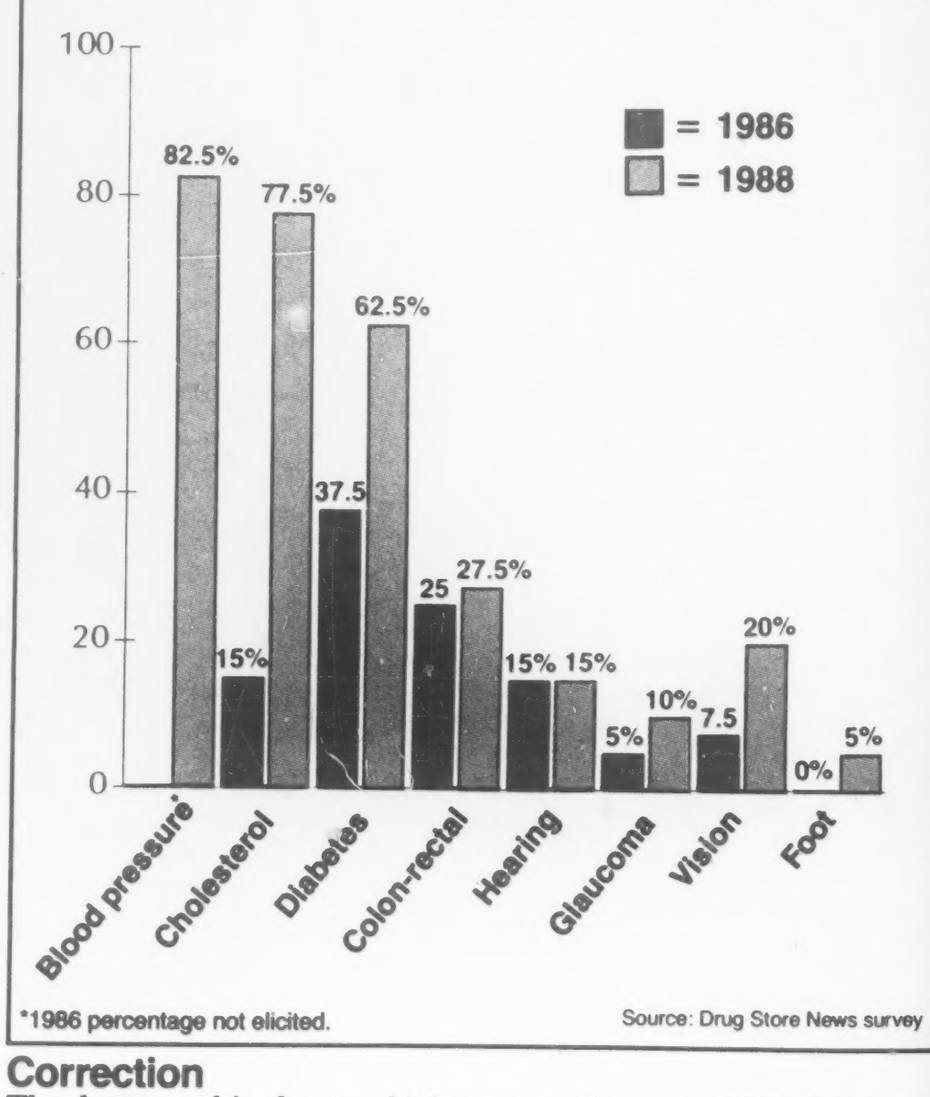
The controversial day-after oral contraceptive is one of more than 80 prescription products earmarked for OTC status last month by the Danish drug regulatory agency. Will the U. S. follow suit? Don't count on it. Indeed the manufacturer of the birth control drug has threatened to pull it off the Danish market if the product is switched to OTC status as planned.

. . . and how about narcotic lollipops?

The Food and Drug Administration is debating whether to approve the marketing of fentanyl, a potent narcotic sedative/analgesic, in an unusual new dosage form: lollipops! The idea: give the lollipops to children facing surgery as an alternative to an injection. The plan, however, has drawn fire from public interest groups who argue that such a dosage form would promote diversion and abuse.

Chains step up screening programs

(Percentage of chains responding that offered screenings: 1986 vs. 1988)



*1986 percentage not elicited.

Source: Drug Store News survey

Correction

The dates on this chart, which ran in a February 20th feature of *Drug Store News/Inside Pharmacy's* Health Screening Survey, were inadvertently transposed. Above is the corrected chart.

Pregnancy test kits

Brand	Time period for results	Day test can be used (after missed period)	Time of urine collection	Package size
First Response	10 minutes	day of	anytime of day	one test, two tests
First Response 5 Minute kit	5 minutes	day of	anytime of day	one test, two tests
EPT Stick	30 minutes	one day after	first a.m.	one test, two tests
EPT Plus	30 minutes	one day after	first a.m.	one test, two tests
Advance	30 minutes	one day after	first a.m.	one test
Clearblue	30 minutes	day of	first a.m.	one test, two tests
Q-Test	15 minutes	day of	first a.m.	one test, two tests
Answer Plus	30 minutes	one day after	first a.m.	one test
Answer Plus 2	30 minutes	one day after	first a.m.	two tests
Answer	60 minutes	three days after	first a.m.	one test
Daisy 2	30 minutes	one day after	first a.m.	two tests
Fact Plus	5 to 8 minutes	day of	first a.m.	one test
Clearblue Easy	3 minutes	day of	first a.m.	one test, two tests

Source: Product manufacturers and packaging; revised from *1989 Pharmacist's Reference to Patient Counseling*

Pregnancy, ovulation test kits get dependability boost from counsel

NEW YORK — Although at-home pregnancy testing kits have become more accurate and simpler to use, a recent *New England Journal of Medicine* report stated that women using the products still risk a one-in-10 chance of getting a false reading.

The report said the problem may not lie with the kit itself, but with consumers who fail to use them properly. Widespread improper use of home pregnancy testing kits concerns health experts, since tests which incorrectly show a woman is not pregnant, when in fact she is, may result in a delay in prenatal care, or abortion.

Consultation between pharmacists and patients is one way to increase patient compliance.

Drug Store News/Inside Pharmacy's pharmacy checkstand study (see story p. IP23) found that many chains merchandise diagnostic testing kits near the pharmacy so that customers can have easy access to a pharmacist's knowledge about those products.

As ease of usage and accuracy increases, more and more women are relying on the kits to find out if they are pregnant, or in the case of ovulation test kits, to predict the time of ovulation for conception. As of October 1988, pregnancy test kit sales reached $62 million in drug stores, a sales growth of over 27 percent from last year, A. C. Nielsen reported.

Sales for the kits continue to climb in drug stores. At Raley's, a 53-superstore chain in Sacramento, Calif., pregnancy and ovulation test kit sales have jumped approximately 15 percent since last year, "although this may be a conservative estimate," said Don Byrom, buyer-merchandiser. He attributes this increase to the surge in popularity of all home testing products.

"The public now has the availability to immediately track what's happening with their bodies, even before a trip to the doctor," said Grace Weidner, pharmaceutical buyer for the New York-

Continued on next page

Warehouse movement ranking of in-home pregnancy test kits[1]

(By units moved, with percentage change from Jan. '88-Jan. '89)

1. First Response single 71%
2. EPT Plus single . . . (20)
3. Advance . . . . . (7)
4. Q-Test single 4
5. Answer Plus single . 25
6. Clearblue double . . . (8)
7. EPT Stick single . . . 176
8. Answer single . . . . . (8)
9. First Response double 118
10. EPT Plus double . . (1)
11. Daisy-2 20
12. Fact Plus . . . . . *
13. Fact . . . . . (63)
14. Clearblue Easy . . . . . *
15. Q-Test double . . . . (17)
16. Answer Plus double *
17. EPT Stick double . . . *
18. Answer double . . . (56)
19. First Response 5 Minute kit . . . . . *

Total category 14

1. Units moved through wholesale and chain drug warehouses

*New product

Source: Pipeline Research, a service of the IMS Consumer Products Division, Totowa, N. J.

Celebrating 140 Years of Service to Pharmacy

fougera

For value & reliability . . . past, present & future

E. FOUGERA & CO., A division of Altana Inc., Melville, NY 11747

Circle #25 on Reader Service Card

11,000,000 DIABETICS ARE WAITING FOR YOUR RECOMMENDATION!

Sugar Free

Tricodene

Cough and Cold Medication

- Non Alcoholic
- Non Narcotic

Temporarily relieves coughing, sneezing, running nose and watery eyes due to allergies and colds. Pleasant cherry flavor. May be used by individuals with high blood pressure, heart disease, thyroid disease and diabetes.

Diabetics don't go to the supermarket or the discount stores when they need advice or medication. *They go to a Drug Store!* And they look for a Drug Store that caters to their needs.

Tricodene Sugar Free and **Mycinette Lozenges** are the only nationally distributed brands in the Cough and Cold Category that do not contain sugar.

So be sure that when your diabetic customer needs it . . . You have it!

Sugar Free

Mycinettes

Triple Action Lozenges

- **Analgesic:** 15 mg. Benzocaine gives fast pain relief action.
- **Antibacterial:** Aids in cleansing the sensitive areas.
- **Soothing:** Helps reduce the harsh dry symptoms of sore throat.

TO ORDER . . . CONTACT YOUR LOCAL DRUG WHOLESALER

OR CONTACT >

PFEIFFER PHARMACEUTICALS
1 ALTA ROAD, WILKES BARRE, PA 18702
PHONE 1-800-523-2123

Circle #16 on Reader Service Card

The #1 choice in stores stocking as OTC cold sore recommendation.

Herpecin-L®

Cold Sore Lip Balm. *"It Works!"*

Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Circle #17 on Reader Service Card

Continued from page IP20
based Genovese chain. "This is especially important with the ovulation kits, if women want to become pregnant," she said.

One West Coast chain saw category sales increase because of a heightened awareness on the part of the consumer. This retailer is waiting to see a "shakedown" in the category. "The category is going through what condoms went through when we took them out from behind the pharmacy counter," she said. "Women are much less apt to ask for the product now," she noted, and they can compare kits and ask the pharmacist's advice.

Most drug stores incorporate manufacturer's rebates and on-package redemption coupons in promoting the category. Genovese's Weidner said the chain runs at least one pregnancy or ovulation test kit twice a month in store circulars, and the on-package rebates and coupons have helped boost sales there.

Weidner feels most women are not brand-conscious when buying pregnancy test kits: they tend to buy whatever they see on ad. "Ovulation kits may be bought differently, usually on the advice of a physician," she said.

The chain recently incorporated a $5.00 savings from Tambrands' First Response pregnancy test kit in its store circular. The sale price of $9.99 for the unit was advertised less a $2.00 instant on-pack coupon and $3.00 mail-in rebate. Cashiers at this chain are told to remove the on-pack instant coupon from the box if the woman overlooks it.

Medic Discount Drug Stores, a 20-chain store based in Cleveland, may advertise more than one kit each month in its circulars. Gerald Zlotnik, vp, said sales for pregnancy and ovulation test kits are up "at least 10 percent" over last year. "People are more comfortable now with the new technology they offer," he said.

Brands like EPT, First Response, Advance and Fact Plus sell well in the 3-foot section at Medic Discount, and they're kept in front of the pharmacy with the diabetes testing kits, Zlotnik said. He also noted single test kits sell better at the chain because of their $8.00 to $9.00 price points.

"We don't offer cents-off coupons on the kits in our ads, but the manufacturers offer instant on-pack coupons and mail-in rebates that we list," Zlotnik said.

Raley's also ties in manufacturer rebates and peel-off coupons when they advertise the category four times a year in its circulars. However, Byrom said, "Women look for accuracy, ease of use, and quickness when buying pregnancy kits. Price may not be a big factor. If a kit carries an unfamiliar name with a lower price, women would probably not buy it."

Ovulation test kits

Brand	Days of tests	Time period for results	Predicts ovulation how far in advance
First Response	6	20 minutes	12 to 24 hours
Answer	6	30 minutes	24 to 36 hours
Ovu Quick	6, 9	4 minutes	24 to 40 hours
Clearpan	10	30 minutes	24 to 36 hours
Ovu Date	One month supply, including 28 disposable thermometers, chart and instructions (basal body temperature method)		

Source: Product manufacturers and packaging, revised from *1989 Pharmacist's Reference to Patient Counseling*

Warehouse movement ranking of in-home ovulation test kits[1]

(By unit volume, with percentage change from Jan. '88 to Jan. '89)

1. First Response 11%
2. Q-Test Predictor ....(1)
3. First Response Refill(13)
4. Answer ..... *
Total category 2

1. Units moved through wholesale and chain drug warehouses

*New product

Source: Pipeline Research, a service of IMS Consumer Products Division, Totowa, N. J.

The first one-step, one-piece pregnancy test.
No messy test tubes or urine collection. Your customer simply places this absorbent tip in her urine stream and then replaces the cap.
In 3 minutes, a blue line will appear in the large window if she's pregnant. If no line appears, she's not.
It's 99% accurate in laboratory testing. And it's the only test with a control window to show her the test is complete.
Introducing CLEARBLUE Easy™
Other tests say they're easy, but there's nothing like CLEARBLUE EASY. Just look at the chart. It's the only one-step, one-piece pregnancy test. CLEARBLUE EASY gives your customer her answer in 3 minutes.
When you recommend new CLEARBLUE EASY, you offer your customer the easiest, fastest pregnancy test she can buy. And to assure her the test is complete, in 3 minutes a line appears in the control window. Questions? She can call the TalkLine at 1-800-223-2329.
Brand | Number of Steps | Number of Pieces
e.p.t. Stick | 6 | 4
First Response | 5 | 5
Advance | 7 | 5
Q-Test | 7 | 5
© 1989 Whitehall Laboratories, N.Y., N.Y.
Clearblue Easy and fan device are trademarks of Unipath LTD.
CLEARBLUE Easy™
IT'S THE EASIEST
WHITEHALL LABORATORIES, A HEALTH CARE DIVISION OF AMERICAN HOME PRODUCTS CORPORATION

Circle #18 on Reader Service Card

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INSIDE PHARMACY

Consultation carries over to checkstands

Our exclusive study shows some interesting trends driving merchandising decisions at pharmacy checkout counters

NEW YORK — Drug store retailers are using prime selling space at pharmacy checkout counters in ways, not always profit-driven, that often parallel the ongoing movement towards retail pharmacists consulting with patients.

Indeed, one of the three items merchandised most regularly there isn't a product at all.

According to a recent *Drug Store News/Inside Pharmacy* survey of checkstand merchandising, some of the most regularly available items at the pharmacy checkout counter include vitamins, lip balms, free educational literature, cough and cold products, and diagnostic at-home testing kits (diabetic, pregnancy and ovulation).

But when pharmacists were asked to narrow their choices of pharmacy checkstand merchandise to three items, they were vitamins, lip balms and free educational literature. Cough and cold products and diagnostic at-home kits ranked fourth and fifth.

For purposes of the study, the "checkout counter area" is defined as the area in front of and adjacent to the pharmacy department, including endcaps directly facing the pharmacy and pharmacy checkout area.

Realizing that pharmacists recently ranked as the number-one trusted professionals, according to a Gallup Poll, many operators are moving items closer to the pharmacy where they can benefit from a pharmacist's recommendations.

According to the study, almost one-third of the pharmacists thought the pharmacist was "very important" in selling items featured in the pharmacy checkstand area. The majority, 62 percent, thought the pharmacist was only "somewhat important;" 10 percent said he/she was "not important at all."

One Midwest pharmacy director exemplified other retailer's feelings when he said that "the pharmacist is a highly trusted professional. . . giving the customer a great deal of confidence."

Top 10 products merchandised on endcaps

1. Cough-cold remedies
2. Batteries
3. Free educational literature
4. Film
5. Diagnostic at-home test kits
6. Trial sizes
7. Candy/gum
8. Diet aids
9. Novelty/trend items
10. Sunglasses

Source: *Drug Store News/Inside Pharmacy* Pharmacy Checkstand Study

Factors affecting checkstand product selection

(Percentage of respondents naming factors "very important"*)

Impulse purchase potential	71%
Broad consumer appeal	57
High gross margins	57
Inventory turns	52
Sales per sq. ft.	38
Reduced risk of theft	24
Items of excellent value	19
Items on sale	14
Display allowances	10
Availability of display material	10

*Responses add up to more than 100 percent due to multiple answers

Source: *Drug Store News/Inside Pharmacy* Pharmacy Checkstand Study

Factors affecting checkstand product selection

(Percentage responding factors were "somewhat important"*)

Display allowances	86%
Availability of display material	67
Sales per sq. ft.	52
Inventory turns	48
Items of excellent value	48
Broad consumer appeal	43
Items on sale	43
Reduced risk of theft	38
High gross margins	33
Impulse purchase potential	29

*Responses add up to more than 100 percent due to multiple answers

Source: *Drug Store News/Inside Pharmacy* Pharmacy Checkstand Study

Products carried at typical pharmacy checkstand location*

(Ranked by percentage of respondents)**

Vitamins	62%
Lip balms	48
Free educational literature	43
Cough-cold	29
Diagnostic at-home kits	24
Candy/gum	14
Novelty/trend items	14
Batteries	14
Condoms	14
Film	14
Medical ID bracelets	10
Travel sizes	5
Diet aids	5
Sunglasses	0
Nail clippers	0

*Adds up to more than 100 percent due to multiple answers

**Respondents were asked to pick top three products

Source: *Drug Store News/Inside Pharmacy* Pharmacy Checkstand Study

Availability of product at pharmacy checkstands

(Percentage responding product is "regularly available"*)

Free educational literature	62%
Diagnostic at-home kits	62
Lip balms	62
Cough-cold	52
Vitamins	52
Medical ID bracelets	43
Condoms	33
Trial sizes	14
Batteries	14
Candy/gum	14
Diet aids	14
Nail clippers	5
Film	5
Novelties and trend items	5

*Adds up to more than 100 percent due to multiple answers

Source: *Drug Store News/Inside Pharmacy* Pharmacy Checkstand Study

Types of displays used at the pharmacy checkstand

(Percentage of respondents using said displays*)

Countertop displays	90%
Professional literature rack	71
Freestanding floor displays	67
Gravity feed displays	57
Bins for dumping	52
Wire racks	48
Horizontal displays	43
Vertical displays	38
Candy/gum	29
Condom rack	29
J-hooks adjacent to register	24

*Adds up to more than 100 percent due to multiple answers

Source: *Drug Store News/Inside Pharmacy* Pharmacy Checkstand Study

But not all retailers wanted to see pharmacists used for consultations and recommendations. Some told *Drug Store News/Inside Pharmacy* that, while they realized that pharmacists' recommendations were important, pharmacists are usually too busy to take time with patients who need help selecting products.

On the other hand, more than half of the pharmacists surveyed said they encourage the person who operates the cash register (other than the pharmacist) to consult on merchandise found in the pharmacy department checkstand area. Many said their pharmacy clerks are given special training to sell and deal with customers' questions on OTC merchandise. Others said that some diagnostic at-home test kit manufacturers offer training in the use of their products.

Merchandising the pharmacy checkstand

The survey showed that merchandising tactics varied greatly in the pharmacy checkstand area. Although cross-merchandising is common in many drug retail outlets, according to the survey, some items, such as batteries (Presumably excluding hearing aid batteries—Ed.), nail clippers and sunglasses, are usually "never available" in the average pharmacy checkout area.

Other products are only "occasionally available" at the pharmacy checkstand area. Trial sizes, novelties, trendy items, diet aids and candy were among this group.

The survey showed a variety of displays merchandising the pharmacy checkstand area, but there was no question that countertop displays were retailers' favorite (chosen by 90 percent of respondents). Professional literature racks and freestanding floor displays were ranked second and third respectively. One of the least popular displays were J-hooks adjacent to the register.

One interesting area of display was for family planning, specifically, condoms. When condoms first came out from behind the counter several years back, it was mainly because of manufacturer-supplied displays. According to the survey, it is apparent that those displays are not used much anymore, with retailers preferring to display condoms on J-hooks, directly on gondolas.

According to the survey, many pharmacists seasonally change merchandise at the pharmacy checkstand.

Products heavily promoted in the winter include lip balms, cough-cold products, batteries and aspirin. Spring merchadise usually includes diet aids, allergy medication, sunglasses, diagnostic test kits, and candy. Summer usually brings out the suntan-sun block products, candy and hydrocortisone products. In the fall it is not uncommon to see vitamins (specifically vitamin C), holiday items and diagnostic kits featured.

Endcaps

Endcaps have long been thought of as prime selling areas for impulse items. According to pharmacists surveyed, endcaps are heavily used during cough and cold season.

The importance of the pharmacy department to the store was also noted by the pharmacists' responses to what they prefer to merchandise on endcaps. They said that one of the hottest items merchandised year-round on endcaps facing pharmacy departments is free educational literature, followed closely by condoms. Other items usually found on there include diagnostic at-home tests, batteries, medical ID bracelets, candy-gum and novelty and trendy items.

In many stores, the importance of the pharmacy department as a health center is further emphasized by the use of blood pressure machines, electronic scales, and free-standing computer kiosks, flanking the prescription department, that dispense health and prescription product information at the touch of a screen.

Will things ever change?

The respondents were asked if they had complete autonomy over the pharmacy department checkstand area, how would they change it? Some of their responses were:

- Add another register to speed up sales,
- Better rotation of impulse items,
- More OTC trial sizes,
- Improve seasonal mix of merchandise,
- Charge vendors for prime locations,
- Improve the consultation-waiting area, and
- Add a wellness center.

e5150-2

H&BAs' million-dollar brands — Page 8

SPAR Christmas fragrance audit — Pages 11–28

Chains' latest tobacco strategies — Pages 31–34

SECOND CLASS

DRUG STORE NEWS

Vol. 11/No. 7 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. April 3, 1989

Perry Drug on rebound, to remain 'independent'

DETROIT — Buoyed by a first-quarter earnings rebound, Perry Drug Stores chairman and chief executive Jack Robinson told shareholders here the company was on its way back, and he made a concerted effort to squelch recent Wall Street rumors about the possible sale of the chain.

"We are not aware of any specific reasons for the recent heavy stock activity," Robinson said. "Rumors are always out there, but we intend to remain an independent company."

In remarks at Perry's annual meeting March 17, Robinson volunteered a few possible explanations for the rapid rise in Perry's stock price in recent weeks. Among them, he said, were recognition by investors that the stock was undervalued; an earnings rebound after a two-year slide into red ink; and recent strong earnings performance within the chain drug store industry.

Stock speculation

"Often when a company experiences losses, but is otherwise fundamentally sound—as our company certainly is—there is much speculation about the stock," he said.

When one shareholder asked whether "any [merger] scenario is acceptable or negotiable" by Perry, Robinson did say that "any particular item brought to [the board's] attention is considered." However, he added, Perry has had "absolutely no" conversations with acquisition-minded suitors.

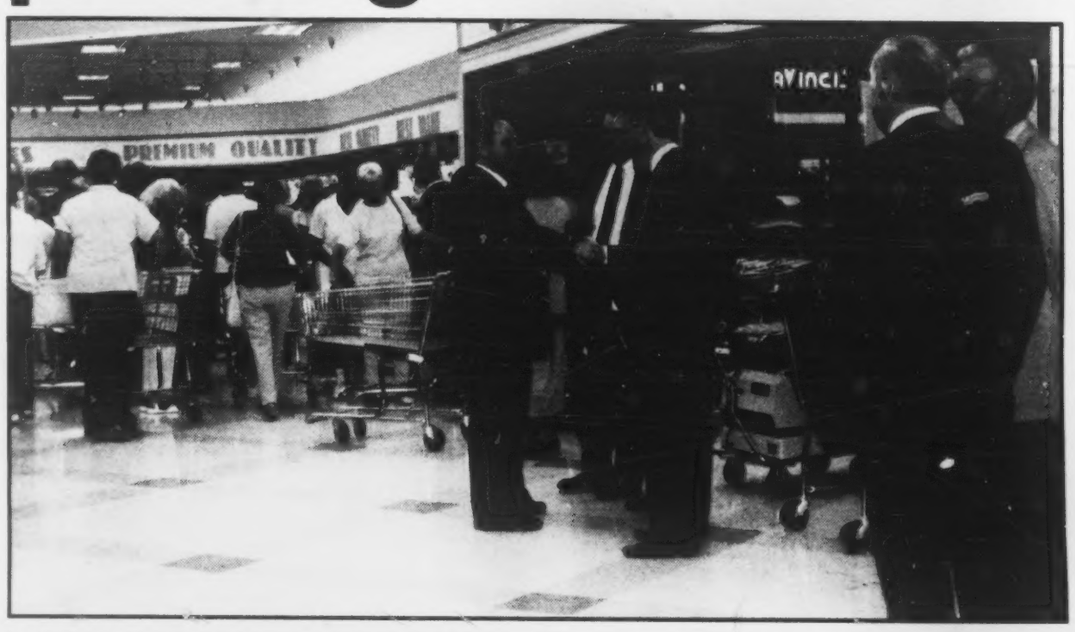
See **Perry** *page 41*

Jewel Osco dazzles Tampa with sparkling new format

By James Frederick

LARGO, Fla. — Five years in the making, the first prototype of American Stores' new Jewel Osco superstore opened with a bang here, drawing mobs of shoppers and prompting excited comments from company officials.

West of Tampa, in the most densely populated part of western Florida, the 75,000-square-foot Jewel Osco offers 80,000 SKUs of food, drug and general merchandise. It's opening marks a breakthrough for American Stores on several different levels.



Mark Skaggs (left), president of Jewel Osco, greets some American Stores top brass at prototype opening, including board member Leon Harmon and vice chairman Vic Lund. CEO Jonathan Scott was also present. At far right is board member Fenton Maynard, former president of Skaggs/Albertson's.

First, it heralds the company's re-entry into the Southeast after an absence of two decades. The chain will open two more of the giant combos this year in the Tampa Bay area, including a second unit tentatively set for a July 27 opening in North Pinellas, a suburb of Clearwater, and a third store in mid-November in New Port Richie, up the coast from Clearwater.

"We had no stores in the Southeast," said Mark Skaggs, president of the Florida division and son of American Stores founder and board chairman L.S. "Sam" Skaggs. "Florida is an area we were in before with Skaggs/Albertson's combos, before we dissolved that partnership, and we've always been looking to return. I think the state is ready for us."

Skaggs said in an interview with *Drug Store News* that the new Florida venture comprises "a major part of the expansion strategy" for American Stores.

Second, the opening culminates five years of planning and execution by an entirely new division of the company, Jewel Osco of Florida, to develop a combo store prototype specifically for the Florida market. Skaggs took over as

See **Jewel Osco** *page 41*

'Florida is an area we were in before. . . and we've always been looking to return. I think the state is ready for us.'

CVS promotes 13 top executives

WOONSOCKET, R.I. — If 13 is an unlucky number, don't tell CVS.

The fast-growing chain, with stores on both coasts, has just promoted 13 top executives. The rush of title changes reflects added responsibilities of veteran managers as the chain has doubled in size to 765 stores over the past five years.

"Many jobs are much bigger jobs than they were because our company has been growing," Gary Charboneau, executive vp-marketing, told *Drug Store News*. He was among those promoted, from the post of senior vp-marketing.

The promotions maintain CVS's three-tier structure of vp-level executives, and are "a recognition of the size of the contributions individuals have been making." They also "clarify" reporting responsibilities, which largely are staying in place, Charboneau explained.

Charboneau joins J. Kevin Hughes, executive vp-operations, and David Jonson, executive vp-administration on the highest tier reporting to CVS president Harvey Rosenthal.

Seven executives were promoted to senior vp from vp posts, and five became vp's for the first time. Senior vp's include: Thomas Ryan, pharmacy; John Furia, MIS; Ralph Weisgerber III, finance and control; Charles Hutchinson, human resources; Dennis McMullen, real estate; Robert Fiorelli, purchasing; Bradley Voelz, warehousing and distribution.

Vp's are: Shafi Shilad, pharmacy operations; Jack DeAlmo, operations services; Michael McGinn, controller; Bernard Cote, distribution operations, and Daniel Rogers, merchandise manager for H&BAs and CVS products.

LATE NEWS

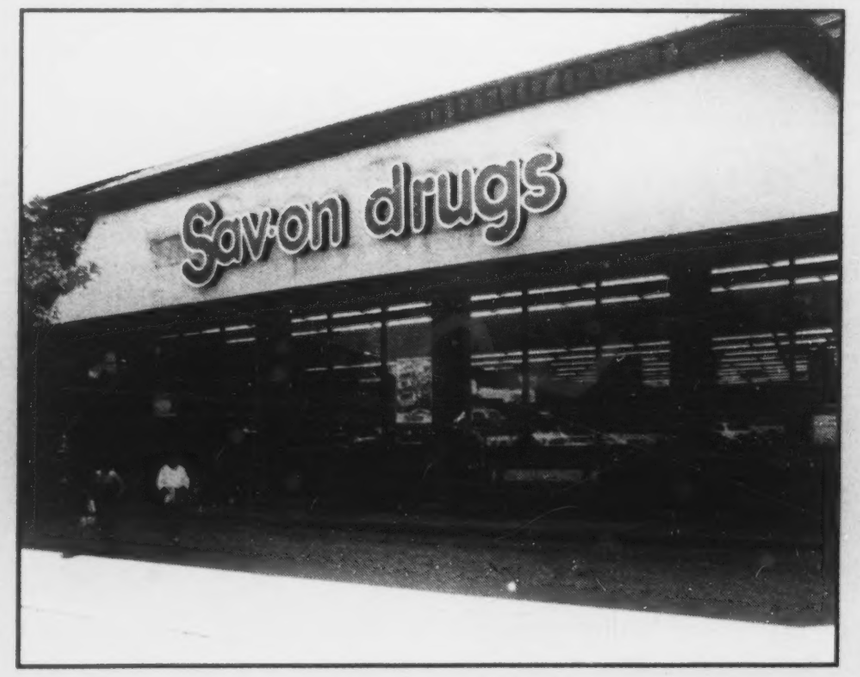
• RICHMOND, Va. — Standard Drug, which plans to open five or six stores this year, has recently opened its third store in a format that includes a special service area. Here, shoppers can mail packages, buy stamps, money orders and lottery tickets, tickets for sports events and local entertainment.

• AKRON, Ohio — Revco D.S. has won approval by the U.S. Bankruptcy Court here to reassign and reject all outstanding lease contracts on abandoned store sites. The court ruled in mid-March that Revco was free under bankruptcy rules to disavow old lease obligations on 98 empty sites, and to sell its lease contracts on 14 other sites to various bidders.

• NEW BRITAIN, Conn. — Moore Medical tallied a $6.1 million loss for its fiscal year ended Dec. 31, triggered by an $8 million fourth quarter loss, which included a $12.4 million non-recurring charge. The wholesaler had earned $4.1 million in fiscal 1987, and $709,000 in that year's final quarter. Sales in 1988 were $229.1 million, compared with $232.2 million last year.

Sav-on is back

Thus proclaimed a sign outside one former Sav-on Osco store in the Los Angeles area recently. After trying to build a nationwide identification under the Osco name for several years, American Drug Stores is now going back to the well-recognized Sav-on logo at approximately 175 stores on the West Coast. The official grand reopening for all locations will occur this month, but the Sav-on name began to banner some stores, such as this Burbank, Calif. site, in February.



NEWS IN BRIEF

Walgreens to grow in New England

DEERFIELD, Ill. — Walgreens is gearing up for additional expansion in New England, three years after its first major entry here when it bought 66 Medi Mart sites. The chain plans to open six stores in Massachusetts and Rhode Island in 1989, said Theodore A. Ballent, newly appointed senior real estate manager for the 1,444-store chain.

Locations for the six new stores include Brockton, Peabody and Newton, Mass. Ballent's territory also includes the Boston area, New Hampshire and Rhode Island. Responsible for site selection, real estate negotiation and lease renewal, Ballent said that another eight sites are scheduled to open in his territory next year.

O'Neill tabbed for Revco in South

TWINSBURG, Ohio — Michael O'Neill was promoted to regional vp of Revco's Southern region, which includes approximately 400 Revco drug stores in Alabama, Arkansas, Florida, Georgia, Louisiana, southwestern South Carolina and western Tennessee.

O'Neill was most recently regional director of operations in the above regions. He succeeds Bill Gillota, who has left Revco to pursue other business interests. A replacement for O'Neill's former post as regional director of operations has not yet been named.

Longs sells shares to employee plan

WALNUT CREEK, Calif. — Longs Drug Stores recently sold 696,864 shares of its common stock to its employee stock ownership plan (ESOP).

Robert Long, president and ceo, announced that ESOP now owns 14.3 percent of Longs' outstanding shares. Voting rights and certain disposition rights for the shares in ESOP are passed through to partcipants. He said, "The sale of these additional shares to the ESOP gives Longs' employees a very significant interest in both the business and governance of the company."

Coyle named Peoples' ad veep

ALEXANDRIA, Va. — James W. Coyle was recently promoted to the title of vp-advertising of Peoples Drug Stores. He will now be responsible for all of the chain's advertising programs. Coyle joined the company in 1984 as director of advertising, and has more than 20 years experience in the advertising field prior to his career with Peoples.

Kinney mini planned for med building

GOUVERNEUR, N.Y. — *Drug Store News* has learned that Kinney Drugs will open a "mini-store" in a medical building on May 1. John Burgess, president of the 30-store chain, said the medical building in Watertown, N.Y., houses a surgical suite and 15 to 18 doctors' offices.

The proposed 12,000-square-foot store will be the second Kinney will operate out of a medical building. It currently operates a pharmacy in a medical building in Burlington, Vt.; Burgess said the Watertown store will also sell greeting cards and OTC items.

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PICTURES IN THE NEWS

Southern franchising targeted as Super D regains momentum

By Susan Ball

MEMPHIS — After a management buyout last fall slowed its momentum, Super D is coming up to speed on a three-pronged growth trajectory.

Franchising will be the pharmacy-oriented chain's major thrust, Don Lasseter, chairman and ceo, told *Drug Store News*, with 10 to 15 franchise stores targeted per year. The franchises will mainly fill voids in Super D's local and Jackson, Miss. markets, and in rural mid-South areas, he said.

The chain plans to add three more franchise stores to its current 14 by April 30, said Ron Lewis, vp-franchising.

Further down the road, Super D hopes to accelerate franchise growth to 20 to 25 yearly, the aggressive pace envisioned in 1987, when Lewis began revitalizing the program under former parent Malone & Hyde. However, "We want to service the ones we have fully" before hitting that stride, he added.

Two other growth routes the chain will pursue include opening three to five new company stores per year (either Super Ds or Petty division units), and a stronger focus on Ike's, its deep discount arm, Lasseter said. Three Ike's, all with pharmacy, are projected to open over the next 12 to 18 months, including the conversion of a midtown Memphis Super D store in April and an Ike's in Little Rock, Ark., in August.

Other states eyed

Lewis said management will look to other states soon for franchise opportunities, possibly in Kentucky and Arkansas, and plans to expand the concept to Consumers Drug, the chain's apothecary-type stores, which had been put on hold during the LBO, will be implemented "in the near future."

"We had to scale back because of the LBO," Lewis said. "We could assist more with franchise financing before the buyout," because of Malone & Hyde's financing resources.

Super D, about 85 percent of whose store managers are pharmacists, recruits franchisees from among independents and existing store personnel. It looks for operating expertise, a person who wants to grow, financial stability and someone who wants to promote and follow Super D's program.

"We'll encourage store managers, help them get a franchise and secure location and financing," Lasseter said. "And we provide buying clout and advertising."

The franchise program also includes merchandising and accounting services, in addition to the red, gray and black decor identity and general corporate-store format. Franchisees pay no up-front fee; instead, they pay a 3-percent royalty and a 1½-percent advertising fee.

On average, Super D franchise store sales increase 30 percent the first year. But pharmacist Atkins Carter, who recently moved from old quarters into a newly constructed, 5,400-square-foot store within the same strip center here, said he has achieved sales approaching $2 million, a 40-percent increase, in his first year as a franchisee. (He joined in March 1988.)

Lasseter, himself a pharmacist, noted that the chain has one of the highest prescription to total sales ratios (55-percent scripts) in the industry.

Marking recent opening of Super D's top-volume franchise store, relocated to a new building within the same Memphis shopping center, are, from left: Kristin Frohn, director of real estate and development; Don Lasseter, chairman and ceo; Katrina Carter, store employee; pharmacist-franchisee Atkins Carter; Ron Lewis, vp-franchising; and Rusty McCruder, who works with Lewis.

Super D's revamped cosmetics department, given extra glitz via mirrored pegboard, is showcased on a front corner of franchise store's new quarters in Memphis.

Pharmacy department's prominent back-wall position and bold signage leave customers no doubt that this is a pharmacy-oriented chain.

Newly opened Super D franchise store, relocated to a new building in same Memphis shopping center, has a mailing outlet, which franchisee says has boosted card sales.

SPECIAL SAMI REPORT

H&BA product categories highly competitive

Twice each year SAMI produces a series of reports identifying all brands with a million or more dollars in categories tracked by SAMI. In the case of health and beauty aids, separate reports are issued for food and drug stores. My summary in this issue is based on the H&BA million-dollar brands during the year ended Dec. 30, 1988.

One feature of these SAMI corporate development studies is the listing of the dates since Jan. 1, 1970 when these million-dollar brands were introduced. In the following analysis, we are focusing only on H&BA brands launched during the 1980s. Since the SAMI drug store service has not been in existence over the course of the entire decade, we are using the first appearance dates in food stores to trace brand origin histories.

SAMI million dollar annual report
Health and beauty aids national survey

(Year ended Dec. 30, 1988)

Product Group	No. of brands in drug stores	No. of brands in drug stores introduced in '80s	% introduced in '80s	No. of brands in food stores	No. of brands in food stores introduced in '80s	% introduced in '80s
Baby needs	21	3	14.3	15	1	6.7
Deodorants	75	22	29.3	68	21	30.9
First aid	40	13	32.5	28	8	28.6
Hair care needs	220	93	42.3	175	81	46.3
Oral hygiene	86	32	37.2	67	31	46.3
Proprietary remedies	304	102	33.6	206	56	27.2
Shaving needs	51	8	15.7	45	7	15.6
Skin care aids	128	40	31.3	71	19	26.8
Total all product groups combined	925	313	33.8	675	224	33.2

Source: SAMI

In all 52 H&BA categories, there were 925 million-dollar brands in drug stores, 250 more than in food stores. Three hundred and thirteen of the drug store "millionaire" brands, or 33.8 percent, first appeared during the '80s. For food stores the number is 224, or 33.2 percent. Thus, while food stores have had fewer high-volume H&BA brands than drug stores overall and fewer new million-dollar brands introduced in the '80s, the new product share level is nearly identical in both types of retail outlets.

PRODUCT TRACKING

ALAN MILLER

In both food and drug stores, the highest levels of new brand introductions of the '80s are found in the hair care and oral hygiene sections. For food stores, new brands comprise 46.3 percent of the total of million-dollar brands in both hair care and oral hygiene. In drug stores, on the other hands, 42.3 percent of the million-dollar hair care brands first saw the light of day in the 80s, while only 37.2 percent of the oral hygiene brands total were of such recent vintage.

For the proprietary remedy categories there were 304 million-dollar brands in drug stores, nearly 100 more than the 206 in food stores. In both outlets, the lowest new product activity was found among baby needs and shaving needs. Less than 20 percent of the million-dollar brands in these two product groups were spawned during the 1980s.

Drug stores have also outshone food stores in million-dollar skin care products. Of the 128 million-dollar skin care brands in drug stores, 40, or 31.3 percent, first appeared in one or more SAMI markets in the '80s. In food stores there were only 71 million-dollar brands in the product group, and only 19, or 26.8 percent, were launched in the '80s.

There were 15 H&BA product categories with no million-dollar brand introductions during the '80s in food stores and 12 with no million-dollar new brands in drug stores. The three categories in which there were new drug store million-dollar launchings but none in food stores were nursing supplies, sleeping aids and after-shave lotions.

Of the 52 H&BA categories tracked by SAMI, 16 had at least 25 million-dollar brands in drug stores, topped by shampoo (52), cold remedies (45), hair coloring (42), hair conditioning rinses (40) and hand and body creams/lotions (39). In food stores, there were only seven product categories with as many as 25 million-dollar brands. Shampoo also topped the list with 45, followed by cold remedies (35), hair conditioning rinses and internal analgesics (each with 34) and hair spray (33).

In drug stores the highest number of new brands of the '80s were in the following categories: hair spray (20), hair setting needs (19) and toothpaste & powder (19). These categories were also the scene of important new brands in food stores: shampoo and toothpaste & powder (20 each), hair setting needs (19) and hair spray (18).

There are five important product categories in which there is a significantly higher incidence of million-dollar brands in drug stores as compared to food stores: hair coloring (42 vs. 15), denture adhesives (14 vs. six), natural vitamins, minerals, supplements (25 vs. eight), after-shave lotions (15 vs. six) and cosmetic and medicated skin aids (38 vs. 18).

The relationship in high-volume brands available to consumers is closer between outlets among: baby oils, cream & lotions (eight in drug stores vs. seven in food stores), spray deodorants (16 vs. 15), roll-on deodorants (15 vs. 16), stick deodorants and pads (21 vs. 19), hair spray (36 vs. 33), hair setting needs (23 vs. 24), hair dressing needs (20 vs. 19), toothpaste & powder (31 vs. 32), external analgesics (11 vs. 12), shaving creams (nine in each outlet) and razor blades (20 vs. 24).

While there are only two H&BA brands of the '80s which have reached the $50 million level in drug stores (Advil and Alcon), there are five such brands with more than $50 million in annual food store sales. In the forefront are Advil, Crest Tartar Control, Colgate Tartar Control, Plax Mouthwash and Nuprin analgesic.

What do all these numbers signify? One thing that rings loud and clear is that there is more competition overall among H&BA categories than in most food categories, whether shelf-stable, frozen or refrigerated. There is also more new product churning in the H&BA sector. A third observation is that while consumers are apt to select drug stores for their health needs, they are content to fill their beauty aids needs while shopping for groceries.

Readers wishing to secure information on subscribing to the H&BA SAMI Million-Dollar Brand Report service can contact Warren Spence, vp-H&BA Marketing, SAMI, 55 Greens Farms Road, Westport, Conn. 06880; (203) 222-5721.

* * *

Note: A belated apology to the folks at White Laboratories for an erroneous statement a while back that Soft Shave is a brand under the Block Drug banner. X-14 Mildew Remover was sold to Block Drug by White Labs, but Soft Shave and Soft Shaver products remain White Laboratories trademarks.

Alan Miller is a consultant to SAMI, Inc. and former vp of sales service at Selling Areas Marketing, Inc.

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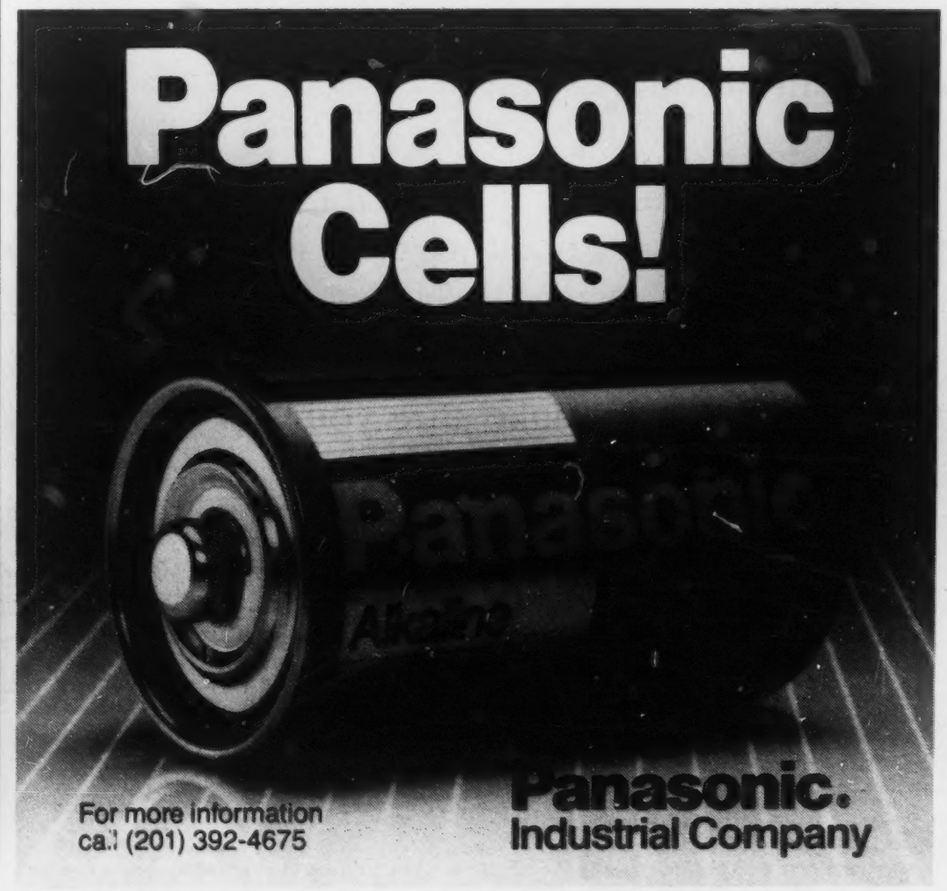

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BEAUTY TRENDS

SPAR audits chains' yule fragrance sales

Early reports on Christmas 1988 fragrance sales suggested that chain drug stores were having a stronger sales year than what eventually turned out to be the case.

Once all the figures were in, it turned out that most of the major chains showed flat to negative trends in fragrance last year, and Nielsen Marketing Services reports that fragrance sales in chain drug stores were down 3 percent in dollars and 5 percent in units for the past Christmas season.

This year, buyers say the problems were not caused by any lack of new product launches. There were nine major launches in mass fragrances this year, and three turned out to be very successful: Ex Cla Ma Tion! and Trouble were very strong new launches in mass women's scents, and Hero was an outstanding launch in men's.

Almost all buyers confirmed that sales of new brands did not create new growth for the category. Instead, they basically cannibalized sales from the more established and traditional mass brands.

Today, as buyers and manufacturers try to evaluate what happened this past Christmas, they come to two fairly definite conclusions. Many buyers blame manufacturers for not doing enough to increase the consumption or usage of fragrances, and many buyers, as well as manufacturers, also feel there is not enough creative merchandising at store level to generate incremental sales, and by this they mean there is not enough service in the stores, there are too many small or lesser brands taking space away from dominant brands and lessening their impact on the shelf, and there is way too much merchandising of fragrances under glass.

Many retailers feel strongly that most manufacturers are only committed to building their own brands and are neglecting what has to be done to strengthen the fragrance category as a whole.

Manufacturers should encourage usage

One buyer said that what the industry needs are ad campaigns that address the issue of usage.

"The manufacturers are just interested in stealing market share," said this

Continued on page 13

Some drug chains are upgrading their cosmetics/fragrance presentations. They are boutiquing their departments to create an upscale image and investing in cosmeticians who are trained to build sales of higher ticket fragrances through product recommendations.

How chain drug stores merchandised fragrances at Christmas

(Changes in space allocations)

Xmas '87 average size of drug store fragrance department (linear ft.)	160.9
Percentage change over regular everyday space in 1987	79%
Xmas '88 average size of drug store fragrance department (linear ft.)	191.3
Percentage change over regular everyday space in 1988	90%
Percentage change in the size of the fragrance department Christmas '86 vs. Christmas '87	19%

Source: *Drug Store News*/SPAR Marketing Services

Methodology of the SPAR audit

This is the second year that *Drug Store News* has sponsored a store audit of how chain drug stores merchandised fragrances at Christmas. Findings of this study can be used to help retailers identify opportunities to expand sales and spot trends that may be impeding the segment's growth.

This exclusive study was conducted by Minnesota-based SPAR Marketing Services. On Dec. 1, 1988, at our request, SPAR audited the fragrance departments of 392 chain drug stores in 20 major markets. They measured actual space for fragrances, and then broke their measurements down into averages by category segment, select brands, and chains.

The stories and charts published here are based on that audit, and should give readers an accurate picture of how well fragrances were merchandised. This section includes:

- The size of the fragrance department in the average chain drug store at Christmas;
- How much additional space was devoted to fragrances at Christmas for promotional displays;
- How effectively chains use ends, counters, islands, POP and other promotional vehicles to hype fragrance sales;
- How much space was given to merchandising fragrances under glass;
- How much space was given to gift sets;
- When the average chain got its Christmas displays out on the floor; and
- How well select brands performed.

We want to thank SPAR, and particularly Jan Strunk and her staff, for their help in making this audit possible.

We also want to thank the retailers and manufacturers who spoke with us about our findings and helped us put the information into a meaningful context.

Retailers use variety of merchandising approaches during key selling season

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SPAR/*Drug Store News* fragrance audit

BEAUTY TRENDS

The weeks the average chain drug store began displaying Christmas fragrances

Week in which Xmas displays went up	% of stores with displays up at this time	
	1987	1988
Oct. 30	34.1%	12.3%
Nov. 6	72.5	24.6
Nov. 13	87.5	62.2
Nov. 20	100.0	77.7
Nov. 27	100.0	87.9

Source: Drug Store News/SPAR Marketing Services

Continued from page 11

source. "No one is trying to get the usage rate up. There's a whole group of consumers who don't know anything about fragrances, and no one's even talking to this group about such things as layering or using both night fragrances and daytime fragrances."

However, sources on both the retailing and manufacturing side also felt that chain drug stores were themselves adding to the problem by failing to merchandise fragrances effectively.

There seemed to be enough space devoted to the category this year to make a good impression, our sources said, but there were definite weaknesses in how that space was used to build business.

Many of our sources said they were "alarmed" at the merchandising trends they saw emerging from our exclusive audit of how 392 chain drug stores actually merchandised fragrances last Christmas.

There seemed to be enough space devoted to the category this year to make a good impression, our sources said, but there were definite weaknesses in how that space was used to build businesses.

For one thing, most chain drug stores were very late this year putting up their fragrance displays. For Christmas 1987, all the chains in our survey had their displays up by Nov. 20. This year, 77 percent of all chains had their displays up that early, and just 88 percent had them up by Nov. 27.

All our sources agreed this trend had to have a negative impact on sales, but some sources felt that the strategy was justified. "If we put the gift sets up early, they will not sell," said the cosmetics merchandise manager for a major chain.

However, other sources said that this kind of thinking is part of the reason why fragrances lately have been consistently disappointing performers for chains at Christmas.

"We cut back on the category. We get the displays up later. We put more and more of the category under glass where no one can get at it, and then we complain that it doesn't sell. Well, how can it sell when customers can't get at it?" said one buyer. He added that proper merchandising of fragrances was becoming "a lost art" in most chain drug stores.

Under glass, fragrances lose impulse sales

Another source said that his ideal was to get 75 percent of all the Christmas product out by Nov. 1 and to have it all up by Thanksgiving. "That way if there's a blizzard ten days before Christmas, we don't get massacred," he said.

Both retailers and manufacturers were also alarmed by how much fragrance this day is going under glass. Our audit clearly shows that more stores are putting both men's and women's fragrances under glass, and it doesn't seem to matter anymore whether a brand is expensive or not. If the store is in a neighborhood that is considered a security risk, where pilferage is high, then chains are automatically putting all fragrances, even low priced alternative designer brands like Primo or Scentsational, under glass.

"Our only other option," said one source, "is to put more clerks in to service the department, but in today's economic world, not many chains can do that."

Even chains emphasizing strong service in their cosmetic departments said they weren't happy with the option of going under glass. They simply felt it was unavoidable and they were depending on their cosmeticians to minimize lost sales opportunities.

Not a good trend at all, our sources concluded, but they were also unanimous in their opinion that this particular trend is inevitable and the feeling is that more and more chain drug stores will have to resort to merchandising fragrances under glass as time goes on.

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BEAUTY TRENDS | SPAR/*Drug Store News* fragrance audit

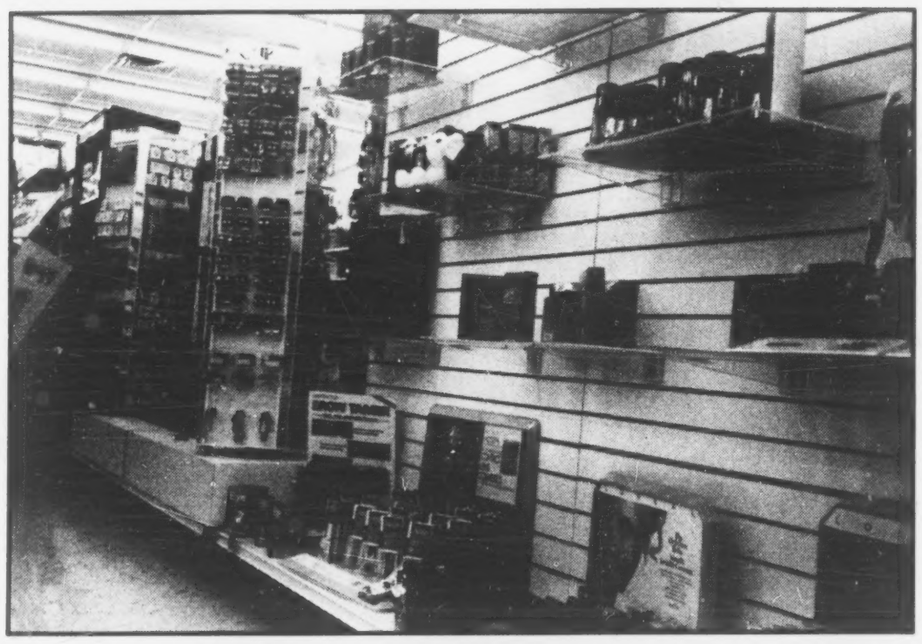
Highlights of *DrSN's*/SPAR's Christmas fragrance audit

Highlights of the *Drug Store News*/SPAR Christmas Fragrance audit include the following:

- At Christmas 1988 the average chain drug store gave the fragrance category 19 percent more display space than it was given at Christmas 1987. Buyers say that, for the most part, they took the space from color cosmetics.
- Xia Xiang was given the highest increase in extra display space for women's fragrances.
- Among stores that carried the brand, display space for Deborah's ScentSational Scents increased 263 percent this year over everyday allocations.

Its distribution, however, was limited. Space for Primo, which was sold in 89 percent of stores, went up 210 percent vs. its pre-Christmas space.

- Two new women's brands, Illegale and Ex Cla Ma Tion!, were given much higher visibility at Christmas, up 191 percent and 186 percent respectively over pre-Christmas space allocations, but Almay, also a new brand, was only increased 85 percent over every day allocations.
- In men's fragrances, the strongest space allocation increases went to three new brands, Mexacali, Hero, and last year's Sante Fe. Stetson and Old Spice also got more space.
- In women's fragrances, established brands like Chantilly, Le Jardin, Vanderbilt and Charlie were given the highest shares of space among the brands we measured. However, in each case their shares were slightly down from last year, an indication that retailers are taking space away from traditional brands to make room for newcomers like Ex Cla Ma Tion! and Trouble.
- Xia Xiang, which had the strongest launch of any mass women's brand in 1987, had the biggest share gain this year, up 122 percent to a 2.0 share.
- In men's fragrances, the established brands like Stetson, Old Spice, English Leather and Chaps, were given the highest shares of space among the brands we measured. However, in the case of the leading men's brands, their shares overall were slightly up from last year. Iron and Night Spice had the biggest share gains this year, up 32 percent and 31 percent respectively over Christmas 1987.
- For both Christmas 1988 and 1987, free-standing or island displays were the most popular ways to merchandise women's fragrances. However, this year more than half of all stores also gave the women's brands expanded shelf space.
- For both Christmas 1988 and 1987, free-standing or island displays were popular ways to merchandise women's fragrances. This year more stores gave men's brands expanded shelf space and counter space.
- Even though most drug store retailers hate to risk losing impulse sales by putting fragrances under glass, more stores did do that this year. A third more stores had Xia Xiang under glass this year, and 20 percent more even put Deborah's alternative scents under glass.
- In men's the same trend occurred; again more stores put the brands we measured under glass. Only Old Spice was an exception, with 18 percent fewer stores displaying it under glass for Christmas 1988.
- Ex Cla Ma Tion! was the most productive women's brand of all measured at Christmas 1988. An index of 100 indicates that the ratio of sales to space is equal and that the brand is generating the dollar volume that justifies its space allocation. Ex Cla Ma Tion! had an outstanding ratio of 161.3, indicating that it was generating enormous turns for the space devoted to it. Charlie, Vanderbilt, Forever Krystle and Jontue were also way above average in efficiency.
- In men's fragrances, there was no success as dramatic as Ex Cla Ma Tion!'s, but Chaps, Jovan Musk, Old Spice and English Leather were all superior in efficiency.
- This year, it took much longer for chain drug stores to set up their Christmas fragrance displays. Last year, all the stores in our survey had their displays up by the week of Nov. 20. This year, just 78 percent of all stores had the displays up that early. By the week of Nov. 27, just 88 percent of all stores had their displays up. One buyer said it is ideal to have 75 percent of all displays up by Nov. 1 and 100 percent by Thanksgiving.



Drug chains are inconsistent in their use of POP to support fragrance merchandising. As the above photo illustrates, some brands are displayed with POP intact while others aren't. Overcrowding often forces store managers to discard POP aids like header cards, but the consensus among merchants is that such decisions have a negative impact on overall sales.

Indications are that retailers are taking space away from traditional brands to make room for newcomers like Ex Cla Ma Tion! and Trouble.

How effectively chain drug stores use POP at Christmas

(Percentage of stores with at least one fragrance display supported with POP)

Chains	All women's brands surveyed '87	All women's brands surveyed '88	All men's brands surveyed '87	All men's brands surveyed '88
Thrifty Drug (Los Angeles)	45.0%	73.9%	47.4%	61.9%
Pay Less NW (K mart, Wilsonville, Ore.)	75.0	66.7	75.0	66.7
CVS (Woonsocket, R.I.)	44.4	69.6	38.5	60.0
Walgreens (Chicago)	41.5	57.1	38.6	54.8
Longs Drug (Walnut Creek, Calif.)	54.5	56.3	36.4	41.2
All stores	42.9	57.0	38.0	52.9
Eckerd Drug (Clearwater, Fla.)	61.9	40.0	52.4	50.0
Revco (Twinsburg, Ohio)	41.2	40.0	38.9	50.0
Rite Aid (Shiremanstown, Pa.)	11.4	28.6	16.7	27.8
Sav-on (American Drug Stores, Anaheim, Calif.)	70.0	20.0	40.0	20.0

Source: Drug Store News/SPAR Marketing Services

Drug chains' strategies for merchandising key men's fragrances

Brand	% of stores carrying brands for Christmas '88	% chng 88 vs. 87	% of stores giving promotional display space at Christmas '88 (Among stores carrying brands)	% chng of stores giving promo display space at Xmas '88 vs. '87 (Among stores carrying brands)
Stetson	93.6%	1%	74%	16%
English Leather	86.0	8	63	21
Old Spice cologne	85.2	8	62	22
Chaps original	92.3	(2)	58	18
Jovan Musk	88.8	46	58	14
*Hero	75.5	n.a.	58	n.a.
Iron	88.3	44	54	38
Santa Fe	72.2	n.a.	48	n.a.
Pierre Cardin	83.7	1	45	2
*McGregor	68.1	n.a.	39	n.a.
Night Spice	74.7	42	37	28
*Mexacali Musk For Men	48.0	n.a.	36	n.a.
Chaps Musk	74.5	(11)	34	(8)
Dallas	45.7	35	20	(17)

*New in 1988

Source: Drug Store News/SPAR Marketing Services

Trends in the merchandising of men's fragrances under glass

Brands	% of stores merchandising under glass 1987	1988	% chng
Dallas	20.7%	28.4%	37%
Iron	23.1	29.5	28
Stetson	26.3	32.8	25
Night Spice	19.7	24.5	24
Chaps Original	27.9	34.6	24
English Leather	15.0	18.3	22
Pierre Cardin	40.1	47.2	18
Chaps Musk	26.9	29.3	9
Jovan Musk	27.2	29.7	9
Old Spice	10.4	8.5	(18)
Hero	n.a.	26.1	n.a.
All men's fragrances	45.6	49.0	7

Source: Drug Store News/SPAR Marketing Services

BEAUTY TRENDS | **SPAR/*Drug Store News* fragrance audit**

Our exclusive audit of how 392 chain drug stores displayed fragrances at Christmas shows a definite trend towards putting more product under glass. The only way to grow sales in such an environment, buyers say, is to provide service.

Drug chains' strategies for merchandising key women's fragrances

Brand	% of stores carrying brands for Christmas '88	% chng '88 vs. '87	% of stores giving promotional display space at Christmas '88 (Among stores carrying brands)	% chng of stores giving promo display space at Christmas '88 vs. '87 (Among stores carrying brands)
Charlie	97.2%	(2%)	73.0%	9%
Primo	88.5	1	68.6	15
Emeraude	93.4	n.a.	68.1	n.a.
Lady Stetson	93.4	2	67.9	15
Chantilly	89.8	1	67.6	11
Forever Krystle	93.4	6	66.3	16
Jontue	95.2	(1)	65.8	16
Le Jardin de Max Factor	89.3	5	63.5	16
Vanderbilt	91.8	(2)	63.0	9
Windsong	89.5	n.a.	62.8	n.a.
Xia Xiang	73.5	72	54.3	135
Aviance	78.1	8	46.7	24
*Ex Cla Ma Tion!	56.4	n.a.	38.8	n.a.
*Trouble	60.2	n.a.	37.5	n.a.
Coty Musk	69.6	n.a.	36.5	n.a.
*Illegale	54.8	n.a.	36.2	n.a.
Glorious EAUDET	63.5	33	29.3	32
*Almay Fragrance	59.4	n.a	28.8	n.a.

*New in 1988

Source: Drug Store News/SPAR Marketing Services

Everyday fragrances could use more promotional space

A good correlation doesn't exist between the fragrances many drug stores carried every day and those they gave promotional display space to at Christmas, said retailers and fragrance manufacturers who looked over the SPAR findings.

Brands like Charlie, Lady Stetson and Vanderbilt are category leaders, and almost all chain drug stores had them in their regular everyday fragrance departments. At Christmas, however, fewer than seven in 10 stores in the survey gave these dominant brands extra display space.

"Why would someone carry a brand all year 'round and then not cash in on that brand's iamge at Christmas?" one source said.

The picture was even worse for new brands launched in the latter part of 1988.

Nearly 60 percent of all stores had Coty's Ex Cla Ma Tion!, the best new product launch in women's mass fragrances last year, according to most buyers, but only four out of every ten stores that had that brand displayed it off-shelf.

"It doesn't make sense," one retailer told us. "New brands especially need to be visible so they can sell. And why not display it so you can take advantage of all the advertising that is going on to support the launch?"

Gift sets may get too much space

Some buyers were also worried about the amount of space devoted to gift sets in their stores, because they are often bulky and can take up as much space as four basic stock items. For a gift set to be productive, it has to turn very fast to justify its space.

As can be seen from efficiency charts, which correlate dollar sales share to space allocation share, some of the brands that had more gift sets out at Christmas than basic stock, such as Chantilly, did not do as well as the lines that concentrated on basic stock or limited items.

Ex Cla Ma Tion!, in fact, was the most efficient brand measured in this survey, with its dollar sales share to space share 61 percent above the index average of 100.

Buyers concluded that based on their performance, brands like Ex Cla Ma Tion!, Charlie and Vanderbilt, which also ranked very high in efficiency correlation, deserve more space at Christmas because they generated more dollars than the competition in less space.

However, dollar sales is not the only criterion buyers use when buying fragrances. Dating time (between invoicing and payment due date) is important, as is the opportunity to buy on consignment.

There are also certain trade-offs that have to be made. A gift set may be bulky and take up more space than it generates in dollar sales, but if there is a strong market for a specific brand's gift sets, then the buyer has to be able to satisfy that demand.

Also, trial size packages and lower priced brands will always have a harder time justifying the space they are given by a dollar sales measurement alone. Because of their lower price points, these items always do better in unit turns and they usually have an efficient correlation of unit share to space share.

The consensus among sources was that if buyers are looking for more dollar growth in fragrances and if this is their highest priority, then, all other things being equal, it makes sense to give the highest portion of display space to brands and sizes that sell at higher price points.

Dominant and growth brands need more space

It also makes sense to increase space allocations for brands that sold well in prior years, such as Xia Xiang, which was the best mass women's launch in 1987.

However, with a few exceptions, allocations weren't up significantly for other major women's brands that sold well in prior years. Vanderbilt and Charlie were both down 4 percent from their 1987 Christmas display allocations, and Lady Stetson was up just 16 percent.

Buyers said this was probably because their space was taken up by the new launches that came out in 1988.

Leading men's brands, on the other hand, were treated much better than women's brands.

Category leaders Stetson, Chaps and Old Spice were up 26 percent, 17 percent and 31 percent respectively, over the display space in the previous year. Last year's newcomer, Night Spice, was up 52 percent over the space allocations given it in Christmas '87.

Buyers speculated that in men's fragrances, it is easier to give dominant leaders the space warranted by sales because men are more brand loyal than women.

Most of the major women's brands also lost share space, but this did not happen with men's brands.

Greater fragmentation

One buyer said it shows how much more fragmented the women's category is compared to men, and how much more confident buyers feel that men's brands can preserve their dominance.

This buyer also concluded it would make more sense to preserve the space for the stronger brands in women's so they could retain the shelf impact they need to continue to sell well.

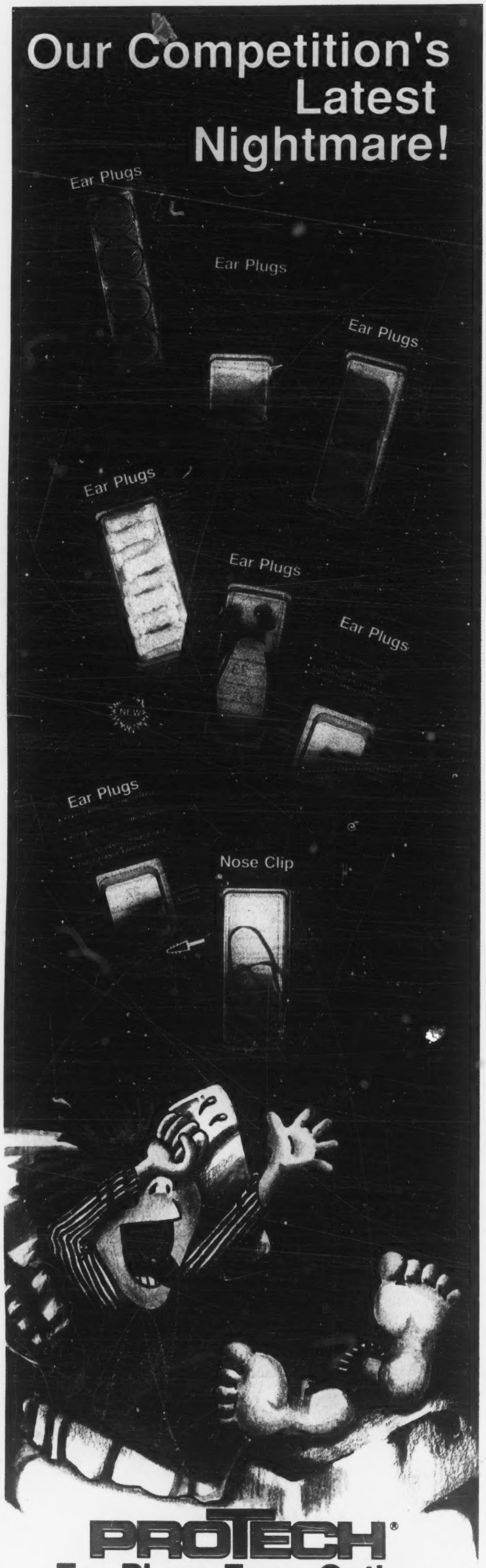
He said that because stores do have to cut back somewhere to make room for the promising newcomers, that they should try to cut back on the weaker brands so they would have a chance to minimize the risk of lost sales for strong traditional brands.

Trends in the merchandising of women's fragrances under glass

Brands	% of stores merchandising under glass		
	1987	1988	% chng
Xia Xiang	39.9%	52.9%	36%
Aviance	38.3	48.2	26
Deborah/Scentsational	25.9	31.1	20
Forever Krystle	46.7	54.7	17
Vanderbilt	58.4	66.9	15
Lady Stetson	40.2	44.5	11
Glorious EAUDET	59.2	65.4	10
Charlie	42.2	46.0	9
Chantilly	42.1	45.6	7
Le Jardin de Max Factor	44.1	46.5	3
Primo	37.0	38.1	3
Trouble	n.a.	38.4	n.a.
Emeraude	n.a.	43.3	n.a.
Windsong	n.a.	41.5	n.a.
Ex Cla Ma Tion!	n.a.	34.7	n.a.
Jontue	43.0	46.5	n.a.
Illegale	n.a.	30.2	n.a.
Almay	n.a.	36.4	n.a.
All women's fragrances	62.7	68.6	9

Source: Drug Store News/SPAR Marketing Services

Our Competition's Latest Nightmare!



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BEAUTY TRENDS

Ranked comparison of how select chain drug stores merchandised fragrances at Christmas

Chain (HQ)	Average size of everyday fragrance department (Pre-Christmas linear ft.)	Average amount of additional promotional display space given to fragrances at Christmas '88 (linear ft.)	Total '88 Xmas Display Space (linear ft.)	% increase over pre-Christmas display
Pay Less NW (K mart, Wilsonville, Ore.)	107.8 ft.	141.2 ft.	249.0 ft.	131%
Longs Drug, (Walnut Creek, Calif.)	130.8	92.0	222.8	70
Thrifty Drug (Los Angeles)	117.9	103.2	222.4	88
Walgreens (Chicago)	103.2	117.0	220.2	110
Sav-on (American Drug Stores, Anaheim, Calif.)	54.5	76.3	207.2	139
Eckerd Drug (Clearwater, Fla.)	77.6	121.6	199.2	156
Average for all chain drug stores	98.9	92.4	191.3	90
CVS (Woonsocket, R.I.)	84.4	80.5	164.9	95
Revco (Twinsburg, Ohio)	47.3	70.4	117.7	148
Rite Aid (Shiremanstown, Pa.)	30.2	38.6	68.81	123

Source: Drug Store News/SPAR Marketing Services

Christmas fragrance displays show variations in presentation and size

The average chain drug store gave fragrances approximately 191 linear feet for display last Christmas.

As expected, larger chains, such as Pay Less NW and Longs on the West Coast, gave it the most space, while smaller bantam chains like Rite Aid had to be content with a relatively compact average of 69 linear feet.

CVS, however, a bantam chain with a superior cosmetics presentation, gave the category 165 linear feet, an allocation buyers considered appropriate for "making as forceful a statement about cosmetics as is possible in such a small store."

Walgreen and Eckerd, two of the best cosmetic merchandisers among the big chains, gave the department an average of 220 and 199 linear feet, respectively.

Walgreen and Eckerd, two of the best cosmetic merchandisers among the big chains, gave the department an average of 220 and 199 linear feet, respectively.

Almost every Walgreen store used either islands or freestanding displays to call attention to featured brands in women's fragrances. About 95 percent of Walgreen stores also had at least some fragrances under glass, but in Walgreen's case, the potential for lost sales was minimized because the chain has a strong service program.

CVS, which has more of a self-service program for cosmetics, managed to control the number of stores that had fragrances locked up behind glass. Only 13 percent of all the CVS stores in our survey had some women's fragrances under glass, and these were generally the more expensive brands like Vanderbilt and Glorious.

Like Walgreen, most CVS stores used islands or freestanding displays to highlight fragrances, and only a handful of stores gave up counter space to this category. The space was too tight to be used effectively in merchandising fragrances, sources said.

Because of their small size, most CVS stores were forced to support the strongest brands with expanded allocations for in-line shelf space.

On the West Coast, Longs, which also has a strong service program with its cosmeticans, also had more stores merchandising fragrances under glass. However, they also made good use of islands, and more than two-thirds of their stores avoided expanding in-line shelf space for women's brands.

Fragrances got more space in chains last Christmas

The Spar audit of 392 chain drug stores shows that space allocations for fragrances last Christmas were up 19 percent versus a year ago.

Some cosmetics merchants who reviewed our findings for us said they were surprised at the increase, because most chain drug stores this year tried to cut inventories; also, data from market research companies shows that inventories were down about 3 percent.

One cosmetics vp thinks chains may have bought less because they were trying to break what he called the "sellthrough barrier."

"It seems that every year we achieve the same sell throughs between 65 percent to 70 percent and this happens whether we buy $3 million in fragrances or $5 million.

"This year, everyone was talking about watching investment dollars so there was an effort to keep inventories low, but at the same time, we all want to make a statement in cosmetics and Christmas is the time of year to do that with fragrances. There were also a lot of new launches this year and we all thought that was going to be good for the category. So I think that despite all the talk about cutting inventories, we wound up trying to make a strong statement."

SPAR/*Drug Store News* fragrance audit **BEAUTY TRENDS**

Men's fragrances efficiency index: $ sales by footage

(Share of dollar sales correlated to share of total display space)

	Index	Average linear ft. of display space
Chaps Original	122.8	4.1
Jovan Musk	116.8	3.9
Old Spice	111.4	7.7
English Leather	110.7	4.9
Dallas	100.0	2.1
Pierre Cardin	93.5	3.7
Stetson	92.0	6.8
Iron	90.8	2.9
Night Spice	88.6	2.3
Chaps Musk	75.6	2.7
Hero	72.2	3.3
Santa Fe	69.0	2.5
McGregor	65.5	2.3
Mexacali	47.5	2.5

Note: This space to sales ratio was determined by dividing dollar brand share for the November/December period in drugstores by SPAR's measurements of share of total space allocations for the brands mentioned.

Source: Drug Store News/SPAR Marketing Services

Women's fragrances efficiency index: $ sales by footage

(Share of dollar sales correlated to share of total display space)

	Index	Average linear ft. of display space
Ex Cla Ma Tion!	161.3	3.0
Charlie	148.1	4.6
Vanderbilt	130.2	5.8
Forever Krystle	129.9	3.8
Jontue	129.1	3.9
Trouble	112.3	3.1
Lady Stetson	110.4	4.0
Glorious EAUDET	103.6	3.7
Xia Xiang	100.0	4.1
Primo	81.4	4.8
Emeraude	72.5	4.5
Chantilly	63.9	6.1

Note: This space to sales ratio was determined by dividing dollar brand share for the November/December period in drugstores by SPAR's measurements of share of total space allocations for the brands mentioned.

Source: Drug Store News/SPAR Marketing Services

Men's brands given the most share of shelf space at Christmas

(Share of total Christmas display space for select brands Christmas '88 vs. Christmas '87)

Brands	% share total shelf space Xmas '87	% share total shelf space Xmas '88	% change Xmas '88 vs. '87
Stetson	7.8%	8.2%	5%
Old Spice	6.9	7.5	9
English Leather	4.9	5.0	2
Chaps Original	4.4	4.3	(2)
Jovan Musk	4.8	4.0	(17)
Pierre Cardin	n.a.	3.5	n.a.
Hero	n.a.	2.9	n.a.
Iron	2.2	2.9	32
Chaps Musk	2.6	2.0	(23)
Santa Fe	n.a.	1.9	n.a.
Night Spice	1.3	1.7	31
McGregor	n.a.	1.5	n.a
Mexacali	n.a.	1.3	n.a.
Dallas	1.0	0.9	(10)

Source: Drug Store News/SPAR Marketing Services

Space-to-sales efficiency index is examined for fragrances

For the space they were given in drug stores at Christmas, Coty's Ex Cla Ma Tion! was the most productive brand in women's fragrances and the original Chaps scent was the most productive in men's.

This productivity measurement is based on the ratio between share of shelf in the stores surveyed and share of dollar sales for the November-December Christmas period. A ratio of 100 indicates that a brand's dollar sales were equal to the space it was given in the stores. A correlation higher than 100 indicates that the brand outperformed the category in dollar productivity, generating more dollars in its allotted space than was average.

Ex Cla Ma Tion! had an index of 161 percent while Chaps Original had an index of 123 percent.

The sources who helped review the survey findings concluded that buyers should look carefully at the brands that had an index of less than 100. The correlation shows that something happened that made these brands less efficient in generating dollars equal to the space they occupied.

This doesn't necessarily mean that the brand itself wasn't strong. It can mean that the brand sold a lot of product in a small package which means a smaller dollar sale, or that the brand was displayed in such a bulky package that it took up more space than could be justified by a dollar sales measurement alone.

Impact of big displays

One source said buyers have to understand the implications of putting up large displays for bulky gift sets, trial sizes, or any lower price point item.

"Yes, it makes sense to display these things because people do buy them," he said, "but if our goal as retailers is to build dollar sales, these types of products won't be able to contribute as much as a more expensive brand that has a good market share and a loyal following."

Our sources also agreed that there are so many things to consider when buying a Christmas fragrance—including dating terms, competition and return options—that buyers have to do "the best they can in juggling all their options."

One source said he was asking his financial and operations people to evaluate how much inventory and what kind of inventory he should carry at Christmas, and whether it would be more efficient to streamline his inventory, which would make him more selective about what he stocks and what he displays, or whether he should buy "as much as I can of what's available so I can make the strongest presentation possible."

He seemed to feel that the best approach might be to balance a merchant's flair for presentation with the tightly scrutinized selection procedures that operations and financial people usually apply to decisions.

The merchants who helped *Drug Store News* explore implications of the SPAR chainwide fragrance display audit concluded that endcaps were definitely not the best way to display upscale brands like Tatiana or Charlie. Endcaps are best for commodity items like shampoos or after-shave lotions. The higher ticket fragrance brands deserve an island or freestanding display that help create an upscale, boutique image for the entire cosmetics-fragrance department.

Women's brands given the most share of shelf space at Christmas

(Share of total Christmas display space for select brands Christmas '88 vs. Christmas '87)

Brands	% share total shelf space Xmas '87	% share total shelf space Xmas '88	% change Xmas '88 vs. '87
Chantilly	4.1%	3.8%	(7%)
Vanderbilt	4.4	3.5	(20)
Charlie	3.8	3.1	(18)
Le Jardin de Max Factor	3.5	3.0	(14)
Primo	2.9	2.8	(3)
Emeraude	n.a.	2.8	n.a.
Lady Stetson	2.5	2.4	(4)
Jontue	3.0	2.4	(20)
Forever Krystle	2.9	2.4	(17)
Windsong	n.a.	2.1	n.a.
Xia Xiang	0.9	2.0	122
Aviance	1.5	1.4	(7)
Glorious EAUDET	1.0	1.3	30
Trouble	n.a.	1.1	n.a.
Ex Cla Ma Tion!	n.a.	1.0	n.a.
Illegale	n.a.	0.8	n.a.
Almay	n.a.	0.8	n.a.
Deborah/ Scentsational Scents	0.3	0.4	33

Source: Drug Store News/SPAR Marketing Services

BEAUTY TRENDS | **SPAR/*Drug Store News* fragrance audit**

Location key factor to capturing incremental fragrance sales

Where a drug store locates a fragrance display can make the difference in whether or not that store captures incremental impulse sales.

Fragrance buyers tell *Drug Store News* that their most preferred location for a fragrance display, especially at Christmas, is on an island or in a freestanding display.

Endcaps and fragrances put under glass are the least desired vehicles for merchandising fragrances, but unfortunately, most chain drug stores still relied heavily on these vehicles to display fragrances last Christmas.

Display strategies for women's fragrances

(Christmas '87 vs. Christmas '88)

Displays	% of stores using these types of displays 1987	1988
Endcaps	44.0%	45.7%
Counters	34.3	36.8
Island or freestanding	59.7	61.9
Expanded shelf space	41.4	51.9

Source: Drug Store News/SPAR Marketing Services

Display strategies for men's fragrances

(Christmas '87 vs. Christmas '88)

Displays	% of stores using these types of displays 1987	1988
Endcaps	47.3%	46.0%
Counters	22.9	31.8
Island or freestanding	52.7	52.9
Expanded shelf space	42.3	50.4

Source: Drug Store News/SPAR Marketing Services

The Spar audit showed that 62 percent of stores in the survey used island or freestanding displays to merchandise women's fragrances at Christmas, and 37 percent used islands.

Unfortunately, 46 percent of all stores used ends for women's fragrances, which one buyer said is "the worst way to try to create an image for that department," and 52 percent were forced "because of overcrowding and tight space" to use expanded shelf facings for display.

Buyers said that if chains have to resort to expanded facings at Christmas because of overcrowding and lack of space, the best strategy was to give the increased facings to the brands with the highest shares of market or the most aggressive advertising support.

"That way," said one source, "you can build the visibility of the brand by giving it more impact on the shelf, and you can also make a statement about your everyday basic business. These are also the brands that will help you create an upscale image for your department."

Under glass

One of the most disturbing trends was the high proportion of stores that displayed fragrances under glass, even low cost brands like Primo and Deborah's ScentSational Scents.

Seven out of ten stores in the survey put at least some women's scents under glass, and one-third of the stores also had the low cost brands under glass. 49 percent of the stores also had some men's under glass.

As long as an end wasn't used for an upscale men's brand like Stetson or Chaps, chain merchants thought ends were an acceptable way of merchandising men's scents.

POP support is weak

Sources also thought there was one other major merchandising flaw evident in the survey. About half the stores audited failed to use point of purchase aids to support their fragrance displays.

The retailers concluded that header cards and other aids were probably discarded at store level by managers trying to get as much product as possible out on the floor in a crowded environment, but they also said it was much harder to get impulse sales without the POP aids that help tell the brand's story.

This is especially true for new brands that depend upon pictures and header cards to attract attention.

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BEAUTY TRENDS | **SPAR/*Drug Store News* fragrance audit**

Let fragrance sales break out of their glass prison

BEAUTY BEAT
ELIZABETH PARKS

For nearly half a decade, fragrance sales have been flat in chain drug stores and buyers are once again asking what can be done about the situation.

Most agree that they want manufacturers to encourage increased consumption, creating ads that encourage more women to use fragrances more often.

But buyers are also aware that their own merchandising programs can contribute to the problem, and most concede their chains could be doing more to merchandise fragrances more creatively.

One of the chains' biggest problems is service related. As service has declined in the cosmetics department, shrink and pilferage have increased.

Most chains are responding to this problem by putting more and more fragrances under glass. But that creates a whole new set of problems.

Under glass, fragrances are not as accessible to consumers. To generate a sale, then a sales clerk has to be available.

But today's sales clerks have so many other responsibilities, like manning registers, stocking and reordering product, that they are diverted from the customer.

So a vicious cycle ensues. Less service, less sales. Less service, more pilferage. More pilferage, more glass. More glass, less sales.

Today, buyers have become so used to this cycle that some tell us they don't think it will ever change. "We just don't have the volume in that department to justify a full-time sales clerk," said one source, "and, without clerks, it may take us years before we ever do get the volume up. So we're trapped."

However, there are a few chains that have found a way to address the money issue and in the process, they have broken the cycle. Walgreens and Longs, for example, both have strong service cosmetic programs and both are consistently regarded as superior merchants in this category.

There are other chains that are attacking the problem by reinvesting in service, and even though it may take them several years to achieve their objective, they are at least moving in a positive direction. Peoples and Perry Drug are in this category.

So there is hope. But it comes from action, from what one source called "biting the bullet" and investing in strong cosmetic programs even though it may take several years for a chain to be able to afford to do everything that is needed.

In the meantime, sources say that retailers just have to become more selective or more "scientific" about how they can maximize their current investment in fragrances.

And to that end, buyers should become more aggressive in telling manufacturers what they want, or as one source put it, in "prioritizing" what it is you think your stores need to get sales up.

Most of our sources also felt that buyers needed more analytical tools to help them make the best merchandising decisions.

One source said that a tool like our fragrance efficiency chart, which is based on measuring the ratio between share of space allocations for select brands and dollar sales share for select brands, gives buyers clues as to the impact of their merchandising decisions on dollar sales.

"The efficiency correlation," said one source, "at least lets buyers see if their space allocations helped them achieve an increase in dollar sales if that was their objective."

"If sales for your basic stock are growing faster than sales for your gift sets," he said, "then what's the sense in giving so much space to gift sets? But to know these things, we have to have ways to measure the consequences of a merchandising decision."

And that's really the reason why *Drug Store News* sponsored the SPAR fragrance audit. The information gleaned from SPAR's audit of 392 chain drug stores gives readers a foundation for measuring the consequences of Christmas merchandising decisions.

If sales were flat, then there should be something in this study that will help readers understand why, and from that understanding, perhaps create a program that will make next year's sales much stronger.

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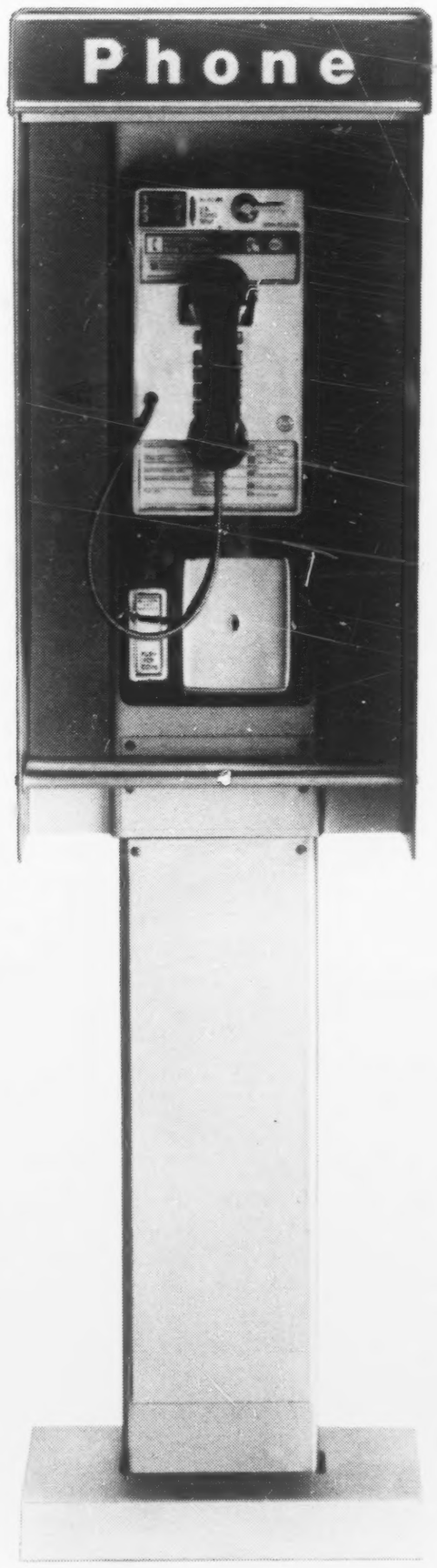
but one will give you less static.



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Cigarettes and tobacco products **TRENDS**

Cigarettes generate big dollars despite falloff in units

Prices increased to boost cash flows

Continuing health concerns and negative publicity have kept cigarette sales in a downward spiral in the 1980s, but retailers are still reaping big cash flows from tobacco as manufacturers raise prices to compensate for declining unit sales.

Cigarette unit sales dropped 2.1 percent in 1988, to 558 billion units, according to tobacco industry analyst John Maxwell, Jr. of Wheat First Securities. That decline was "virtually identical to the losses experienced in 1987 and 1986," Maxwell noted.

Nonetheless, increasing prices for premium brands and growing excise taxes keep the dollars rolling in. Said an executive with Duane Reade in New York City: "In spite of all the negative publicity, our volume has not dropped. In dollars, I think cigarette volume has actually gone up a bit in our stores.

"This category still generates a lot of dollars," he said.

"I don't think the price hikes in themselves have affected sales much," added Rick Burns, tobacco buyer for Snyder Drug Stores in Minneapolis. "What's hurt the unit volume is the continued hammering away at smokers with the stop smoking messages."

Still, cigarettes continue to generate rapid turns, increase store traffic and positive cash flows, making it easier for chain drug executives to overlook the negative publicity and the relatively low gross margins generated by the category. On a DPP (direct product profitability) basis, cigarettes perform well.

"We don't wave the flag on cigarettes, but we're not reducing our inventories, either," said Burns, echoing the sentiments of many chain merchandisers. "It's still something we want to maintain for our customers, so we continue to stock more than 100 brands."

"We're cutting down on some of the lesser brands, and pulling back a little. . . we look at it as a convenience type of item, and we're staying with it," the Duane Reade executive added.

He says cigarette margins in his stores are less than 10 percent, despite a New York state law against price-cutting below a floor level for cigarettes. Other chains have reported margins as high as 15 percent or more, depending on competition and excise tax levels.

In comparison, at Snyder's, "when we buy by the carton, but sell as single packs, we make up some in margins," Burns added.

In addition to rising costs and negative publicity, retailers are also coping with shrink in the category. Many chains have switched to harder-to-pilfer displays for cartons and

(Continued on page 34)

The top ten cigarette brands: Marlboro man corrals more market share

Brand/Manufacturer	1987 Volume*	1987 Share	1988 Volume*	1988 Share	% Change
Marlboro/ Philip Morris	134.57	23.6%	138.82	24.9%	+3.2
Winston/RJR Nabisco	63.28	11.1	60.01	10.7	−5.2
Salem/RJR Nabisco	43.80	7.7	40.53	7.3	−7.5
Kool/Brown & Williamson	34.33	6.0	33.58	6.0	−2.2
Benson & Hedges/ Philip Morris	24.36	4.3	22.15	4.0	−9.1
Newport/Lorillard	24.23	4.2	24.80	4.4	+2.4
Camel/RJR Nabisco	24.18	4.2	24.20	4.3	+0.1
Merit/Philip Morris	22.17	3.9	21.38	3.8	−3.6
Virginia Slims/ Philip Morris	17.51	3.1	16.85	3.0	−3.8
Doral/RJR Nabisco	17.22	3.0	18.70	3.4	+8.6

*In billions of cigarettes sold

Source: John Maxwell, Jr., analyst, Wheat First Securities, Richmond, Va.

'I don't think the price hikes in themselves have affected sales much. What's hurt the unit volume is. . . the stop smoking messages. . . we continue to stock more than 100 brands.'

—Rick Burns, tobacco buyer for Snyder Drug Stores

Increased prices and growing excise taxes have kept tobacco dollars rolling in for retailers.

Disposable lighters yielding high margins on fast turns

Moving in tandem with the cigarette market, retail sales of disposable lighters have been frozen at about $480 million a year, according to industry estimates. They may now be in a slight decline as the demand for cigarettes slides by roughly 2.1 percent a year.

However, if the market should stabilize at 50 million smokers, "we could have a predictable market for disposable lighters," said one executive at General Cigar, maker of Djeep. Moreover, a major opportunity exists in converting half the nation's smokers from matches to lighters, he added.

A product manager for Wilkinson Sword concurred that the disposable market has crested, at least for now. "What you're seeing is a reflection of the cigarette market, where sales have stabilized or are dropping off," she said.

Retailers agree. The disposable category "is not what it used to be," noted one chain drug merchandiser, who said his stores carry as little as one lighter brand now, merchandised at the checkstand.

"We only carry the top three brands now, with about three SKUs for each," added Rick Burns, tobacco and sundries buyer for Snyder Drug Stores. "We've also cut back on promotions, but we haven't eliminated them entirely."

The news certainly isn't all bad, however. Disposable lighters remain a high-impulse, high-profit item which does well at the front end and takes up only a little space. Gross margins for the category are pegged as high as 50 percent.

"They've dropped off some, but they're still a fast-turn impulse item," said an executive with Duane Reade in New York City. "And we don't have to worry about cutting

Continued on page 33

Tobacco to be target of new rules, taxation

Spurred by calls for more restrictive rules concerning tobacco advertising and use, and by its own need to raise revenues, Congress is again leveling its sights on the tobacco industry. At some point, retailers may find themselves squarely in the middle of the legislative battleground.

The tobacco industry is currently fighting three major battles, according to Brennan Dawson of The Tobacco Institute, which lobbies for industry causes. Those battles concern a new round of proposals to raise the "sin" tax on cigarettes; a host of new smoking restrictions proposed by many states and cities; and renewed efforts to ban all forms of tobacco advertising, including in-store

Continued on page 33

Despite health risks, bad publicity cigarette sales generating big dollars

Continued from page 31

packs, and most sell packs behind the counter.

"We have security fixtures now in our stores," noted a source at Fay's Drug.

"We went to overhead racks (for security), and they've worked out fine as far as offering consumer selection, convenience and visibility," said Frank Gable, director of sales for Harco Drug. "In the small amount of space we have, the only other option was slide trays for packs, which limited space and selection."

Gable said the overhead racks, located at the checkout counter, have probably increased sales slightly.

Battling for market share

For their part, manufacturers have responded to the fall-off in demand in other ways besides price hikes. The big suppliers are locked in a pitched battle for market share, as Philip Morris' Marlboro continues to dominate the market. Marlboro now accounts for one of every four cigarette purchases, while most other major brands have suffered continuing declines.

To counter those declines, manufacturers have turned to niche marketing and product segmentation. That effort has generated success in one big area: the price/value segment of the market, which continues to grow steadily. Price/value-oriented brands now command 11 percent of total sales, led by R.J. Reynold's Doral and fast-growing, low-price brands like Cambridge.

The success of the low-price end of the market led recently to the restaging of some old but flagging brands. Among them: Brown & Williamson's Viceroy and Philip Morris' Alpine, both of which have been converted to low-price brands.

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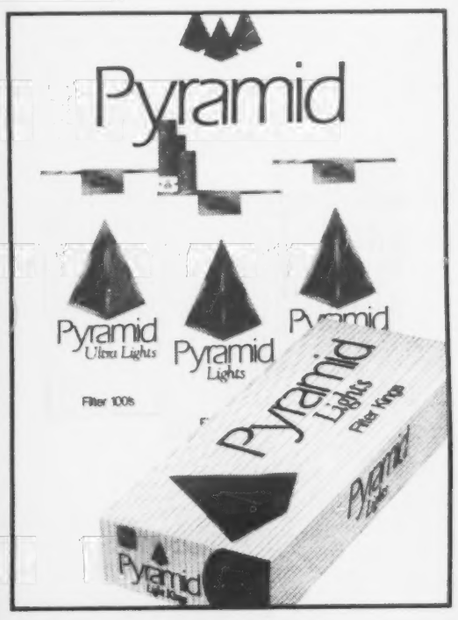
For details contact your General Cigar Co., Inc. Sales Rep.

PRODUCT UPDATE

Upscale lighter for home entertaining

Scripto, a manufacturer of disposable lighters, has developed an upscale lighter accessory for home entertaining. Decolite features a graceful shape in a slim line package and is designed for comfortable, easy handling. Available in ice blue, mauve, aqua and sandstone, highlighted by a European-style black barrel, Decolite complements virtually any decor. SRP is $9.99.

Scripto. P.O. Box 3200, Rancho Cucamonga, Calif. 91730.



Cigarette brand has new low price

Pyramid is the new, low-priced cigarette brand being marketed by the Liggett Group, Inc. "As the price spread between generics and full-priced cigarettes narrows, smokers are switching to branded generics which are priced competitively with generics and also heavily couponed. We can't outspend the other manufacturers, so we are trying to out-innovate them," said the company's senior vp, Hal A. Grant.

Liggett & Meyers Tobacco Co., Division of Liggett Group, Inc., 300 North Duke St., Durham, N.C. 27702.

Orlando clicks with camera buffs — Page 13

Profile of Long's Dave Fong — Page IP6

Claims processing comes of age — Page IP9

SECOND CLASS

DRUG STORE NEWS

Vol. 11/No. 8 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. **April 17, 1989**

Rite Aid names Martin Grass its president & COO

SHIREMANSTOWN, Pa. — Martin Grass has been named president and chief operating officer of Rite Aid Corp.

Grass, who moves up from executive vp, has also served as senior vp-corporate planning and development, vp-corporate planning and development and vp-real estate during his 11 years with the chain. He became a member of Rite Aid's board of directors in 1982.

Martin Grass

A 1976 graduate of the University of Pennsylvania, Grass has an MBA from Cornell University.

Alex Grass continues as chairman and ceo of Rite Aid.

New booth format stars in Affiliated/Associated '89 spring buying show

NEW YORK — Affiliated/Associated Drug Stores was to unveil its new booth format as drug chain merchandisers and buyers gathered here April 10-13 for the spring buying show.

"There is great enthusiasm on both sides. Exhibitors are absolutely thrilled we're doing this. It's been a long time coming," said Phil Weinstein, president of Affiliated/Associated, of the booth format.

See show calendar, p. 8, and profile of Jack Fruth, Affiliated/Associated's first chairman, on p.3.

The association representing 103 drug chains was officially formed in January when Affiliated and Associated Drug Stores merged after over 60 years of separate operations.

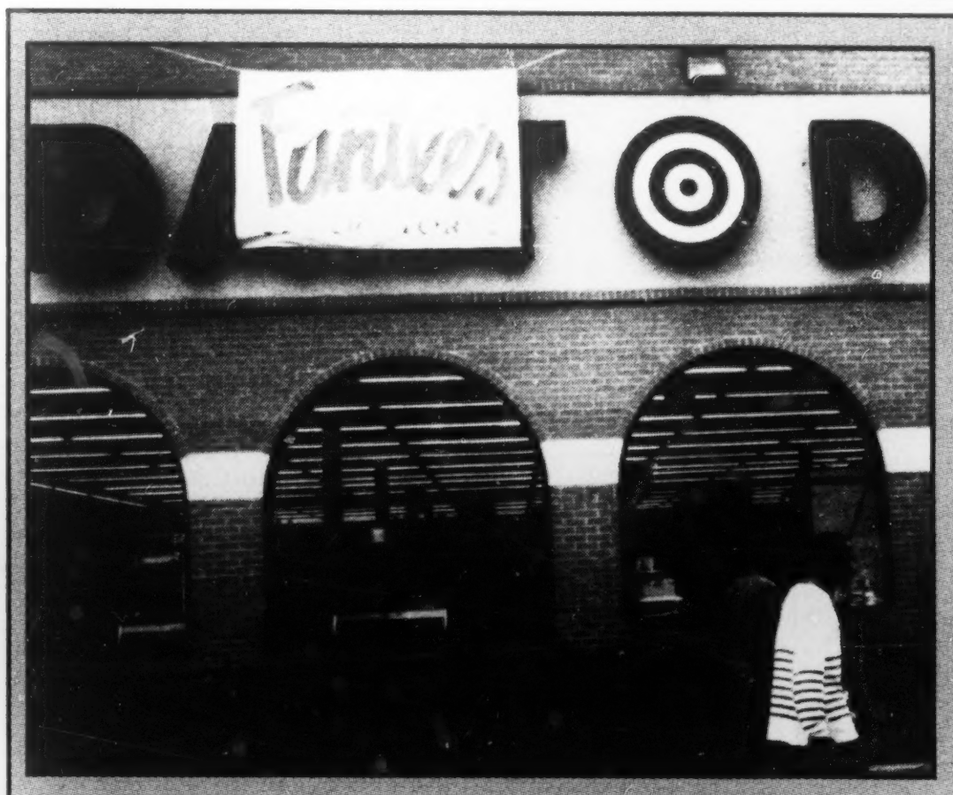
This year's show at the Sheraton Centre Hotel will have 133 booths and 118 exhibitors, about 15 more than last year, Weinstein said.

On Monday at the hotel, Affiliated/Associated's five merchandise managers are expected to show nearly 400 product lines they are suggesting for the back-to-school season.

See **Spring show,** *page 33*

LATE NEWS

- ALEXANDRIA, Va — Peoples Drug said it's promoted Mary Mahon to executive vp-general counsel and secretary. Mahon, who joined the chain in 1978, was most recently sr. vp-general counsel and secretary.
- NEWTON, Mass. — Staples Inc., a specialty office product superstore chain in the Northeast, plans to go public. The 23-store company filed its initial public offering of 2.8 million shares of common stock with the Securities and Exchange Commission.
- AUBURNDALE, Mass. — Irving Ring has been named director of store operations at Rix-Dunnington. He replaces Steve Sorkin, who will become general manager of Rix's Jake's Pharmacy Emporium deep discount stores.
- NEWPORT BEACH, Calif. — American Stores will hold its annual meeting at the Newport Meridien Hotel here June 12. On July 1 it will move its headquarters from Irvine, Calif.— where they've been for the last year—back to Salt Lake City.



New name is meant to help distance the drug chain from the old Dart image.

Dart, Towle, Hansbrough charged in Labor Dept. pension suit

WASHINGTON, D.C. — The U.S. Labor Dept. has filed suit against Dart Drug Stores, Inc. and two former chain executives, alleging the pair cheated participants in and beneficiaries of the employees' profit sharing plan (the Dart Plan) out of $3.5 million.

The complaint, which *Drug Store News* has obtained a copy of, seeks to

See **Suit,** *page 33*

Fantle's to bury Dart's past as 'Bud' bows service program

By Al Heller

WASHINGTON — Sheldon W. Fantle, long recognized for pursuing his visions of what drug retailing could be, has unveiled his radical new view of 69-store Fantle's.

In his 17th month since taking control of financially troubled Dart Drug Stores, which were renamed Fantle's two weeks ago, the chairman let loose with a spirited, multi-pronged program that is meant to recast the chain into an upscale, service-oriented health and beauty merchant. *(See The Human Side, p. 4.)*

By coincidence, the day before Fantle's announcement, the U.S. Dept. of Labor charged two former Dart executives and the chain, alleging the pair cheated the company's pension fund out of $3.5 million. *(See sidebar.)* **Any possible financial impact on Fantle's new programs remained unclear at press time.**

Fantle called the suit "another reason to make the break" from the old Dart.

Fantle's massive makeover includes:

- **A renewed emphasis on pharmacy, marked by free prescription deliveries, chainwide installation of pharmacy comput-**

See **Fantle's,** *page 33*

Store manager Ted Sutton tosses Dart name tag (circled), ushering in new service era at Fantle's.

American Stores, Lucky move closer

Appellate court ruling clears path for $2.5 billion merger

SALT LAKE CITY — American Stores said it will move quickly to merge Lucky Stores with its 216 Alpha Beta supermarkets, following a ruling by a federal appeals court which clears the way for the two operations to combine.

On March 31, the Ninth Circuit U.S. Court of Appeals overturned a preliminary injunction issued last September blocking the $2.5 billion deal, which was struck a year ago. In their ruling, a three-judge panel noted that California State Attorney General John Van de Kamp had overstepped the state's authority when he won the injunction, because it amounted to an order for American Stores to divest Lucky. The court also faulted Van de Kamp for failing to move more quickly in obtaining the injunction after the two companies agreed to combine.

The ruling sweeps away a major roadblock in the way of the merger, and American Stores spokesman Michael Miller noted that the company "will integrate those operations forthwith." Nevertheless, Van de Kamp has vowed to appeal the case all the way to the U.S. Supreme Court if

See **Lucky,** *page 33*

NEWS IN BRIEF

Ex-President Reagan to address NACDS

PALM DESERT, Calif. — Former President Ronald Reagan and his wife Nancy will speak here when the National Association of Chain Drug Stores (NACDS) holds its annual meeting May 6-10.

"They are a big draw," said John Covert, communications manager at NACDS, who felt the former first family would boost attendance. Although the Reagans' speech topics aren't yet final, both will talk about "fairly general topics," Covert said. Reagan will probably speak about his days at the White House and current affairs on Monday, May 8, during the general business session.

Mrs. Reagan, who has an active interest in drug-free youth will speak at the chairman's luncheon, which immediately follows. The lunch salutes all the first ladies of NACDS. Covert said Mrs. Reagan will probably talk about her campaigns in the U.S. and abroad to fight drug and alcohol abuse among the youth.

Covert said "quite a lineup" will speak at this year's NACDS annual meeting, at the Marriott Desert Springs, with the theme of "Productivity—The Spirit of Excellence."

Henry Kaufman, former director at Salomon Bros., will speak about leveraged buyouts, a subject "directly applicable" to members, Covert said. Margaret Heckler, former secretary of Health and Human Services, will "touch on" Medicaid and Medicare issues, he added. Former senator John Tower will also speak at the meeting.

SupeRx caps Medicare-Glaser buyout

ST. LOUIS — SupeRx of Arizona, Georgia and Alabama Corp. completed its $18.2 million purchase of Medicare-Glaser Corp. in late March, ending that chain's decades-long reign as an independent company. The purchase gives Phoenix-based SupeRx a strong entry into greater St. Louis and a toehold in Connecticut, with a combined operating base of 100 full-line drug stores, 43 small retail pharmacies, seven optical centers, five home health care centers and one liquor store. Company officials said they will keep the Medicare-Glaser logo in St. Louis.

Walgreens expansion creates district

DEERFIELD, Ill. — To handle the rapid fill-in expansion in its home market, Walgreen Co. has created an 11th Chicago district. David Harmon, former Chicago Northeast district manager, is now in charge of the new, 17-store Chicago West district. Walgreens now has nearly 250 stores in the Chicago area, and will open approximately 16 more within the next two years.

Marketing vp leaves Austin Drugs

EAST MEADOW, N.Y. — Al Nehman, former vp-marketing at 9-store Austin Drugs based here, has left the chain for "personal reasons," Gary Spielfogel, president, told *Drug Store News*.

Nehman's last day at the chain was March 24. "Al was commuting between New York and Annapolis [Maryland], and it was just too stressful," Spielfogel said. He said that Nehman left on extremely amicable terms.

Spielfogel has been interviewing to fill the position, but has not yet found a replacement. Nehman was "extremely helpful and effective" in helping to set the company's direction, Spielfogel added.

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Boots stores given new name; renovation program scheduled

ETOBICOKE, Ontario — Boots Drug Stores, once a big name in Canadian drug store retailing, will soon be just a memory. The 108-store drug chain has been renamed Pharma Plus Drugmarts by its new owners following

Pharma Plus DRUGMART

what chain president William Atkinson called "exhaustive research and consumer testing."

After a decade of frustrating attempts by parent company Boots PLC of England to make the chain a profitable, high-volume fixture on the Canadian retail scene, the remaining Boots stores in Ontario were sold late last year to The Oshawa Group Ltd. Oshawa, which also operates Towers Departments Stores Ltd. in Canada, immediately named Towers veteran Atkinson as head of the chain and gave the company a temporary new name, Owl Drug, while it searched for a permanent logo.

Atkinson said he was "pleased with the name and the very positive consumer response." He also noted that the company will immediately launch a store renovation program, while developing one or more prototypes for new Pharma Plus units and major retrofits.

The new logo will be installed inside and outside the former Boots stores over the

Boots Drug Stores

next several months. "These are the first steps in a long-range plan to reposition the former Boots chain and to make Pharma Plus a leader in Ontario drug store retailing."

Alco buyout group raising $175 million

VALLEY FORGE, Pa. — Alco Health Distribution Corp. (formerly AHSC Acquisition Corp.) is offering $175 million in senior notes through Drexel Burnham Lambert. The offer is part of the financing of last November's management-led buyout of Alco Health Services.

Alco Health Services concurrently filed with the Securities and Exchange Commission (SEC) a registration statement to issue debentures for the 8 percent of stock outstanding. Pending SEC approval of these steps, consummation of the merger of Alco Health Distribution with Alco Health is expected to be completed late this month or early in May.

Alco Health has prepared a three-year business plan capable of meeting its debt requirements, said John A. Kurcik, Alco's principal accounting officer. "We feel it's a reasonable operating plan that will provide an adequate level of capital expenditures," the main focus of which will be on upgrading the company's computer facilities, he said.

Wanted out of wholesaling

Alco Health came into play last June, when Alco Standard, which owned 48 percent of Alco Health stock, indicated its desire to get out of drug wholesaling. A management-led buyout offer was topped by McKesson Corp.'s $30 per share offer for Alco Health. After the Federal Trade Commission stymied that proposal, AHSC Acquisition Corp., an investment group including Citicorp Capital Investors, members of Alco Health management and others, launched its successful $31 per share bid.

For the first quarter of fiscal 1989, ended Dec. 31, Alco Health reported revenues of $552.5 million, compared with $504.1 million for the like 1988 period. First-quarter net income was $3.9 million, down from the $5.6 million for the comparable year-earlier period. Operating income was $12.4 million, compared with $11.4 million for the like period last year. During the quarter, unusual charges included $1 million in merger-related expenses and a $3.8 million charge for cancellation of stock options, required by the merger.

Personnel shifts for Walgreen's purchasing department staff

DEERFIELD, Ill. — Walgreens has promoted Dwight Iverson to the new post of director of purchasing for three key merchandise areas, triggering a series of personnel changes in the purchasing department.

Iverson, a 29-year company veteran, oversees three divisions in his new post: housewares/ appliances, cameras/ electronics and food/ liquor. He reports to senior vp-marketing Vern Brunner.

The merchandise managers for these three divisions had previously reported directly to Brunner. Iverson was most recently the division manager for food/liquor.

The other merchandise divisions continue to report directly either to vp-purchasing George Eilers or Brunner.

Iverson joined the company in 1960 after graduation from Drake University's pharmacy school, and worked his up through the ranks as store manager, candy/grocery merchandiser, buyer and senior buyer. Since 1983, he has been divisional merchandise manager in charge of candy, tobacco, convenience foods and liquor.

To replace him, Walgreens has promoted Robert Schwab, who last served as a senior buyer in charge of greeting cards, party goods, wrapping paper, candles, potpourri, books and magazines. Schwab joined the chain in 1956 as a clerk and has served in store opening, marketing coordination and purchasing. He now reports to Iverson.

Schwab's old duties are now split between former assistant buyer Robin Randolph, who has been promoted to buyer of greeting cards, party goods, wrapping paper, candles and potpourri; and Dale Solner, who has assumed additional buying responsibilities for books and magazines. Both Randolph and Solner will report to Schwab.

Former assistant buyer John Young is now buyer in charge of basic toys. Like Randolph, he now reports to divisional merchandise manager Mark Paul.

NACDS names Briggs sr. vp; Teach on board

WASHINGTON, D.C. — The National Association of Chain Drug Stores (NACDS) has reorganized its staff, adding Randy L. Teach to the newly created position of senior vp, health policy and government affairs. Bruce Briggs, formerly vp, policy, was promoted to the new position of senior vp, policy administration.

Other posts held

Teach previously served as deputy assistant secretary for health policy at the U.S. Department of Health and Human Services. Briggs, an NACDS staff member since 1983, has served in a variety of increasingly senior positions, including managing director of pharmacy affairs and vp, pharmacy affairs.

The reorganization now gives Teach responsibility for the areas of pharmacy and government affairs. Briggs is now responsible for policy coordination in the areas of meetings and communications, finance and administration, and trade relations. Both men report to Ronald L. Ziegler, NACDS president and ceo.

Personal flashlights brighten drug chains' margins

Vereen ad activity survey
January and February flashlight ads in drug chain circulars

Brand	Model	Sale price	Advertiser
Durabeam	DFC	$2.99	Hook's
Garrity	6009FB	$5.99	Sav-on
Eveready		0.99	Longs
Black & Decker	RFL100	9.99	Walgreens
Garrity	6009FB	5.88	Osco
Maglite	Mini M2A	9.99	Pay 'n Save
Durabeam	DFF-N	4.99	Hook's
Eveready	Commander lantern	5.99	Standard
Eveready	2 pk	3.99	Pay Less

Source: Vereen & Associates

By Christine Bizzarro

The $415 million lighting device market is beaming forward at 9 percent each year, and drug retailers interviewed said most of their flashlight business comes from the low- and mid-range price point spectrum.

The category trend has been to premium-priced ($10.00-$15.00) flashlights at mass merchants, with more merchandising opportunities in these outlets (because of more space), but "the whole industry is not moving this way," Gary Baker, vp trade development for Eveready, told *Drug Store News*.

Baker said the less expensive, lower-ticketed and medium-priced unit sales of flashlights ($2.00-$9.00) are doing well in drug stores. Kevin Garrity, vp marketing at Garrity Industries, agreed.

"The premium flashlight category is still the most rapidly growing segment in terms of dollars, because consumers' attitudes are changing, and they're willing to spend more money for quality products," Garrity said, but he added that the disposable flashlight category is an important segment at drug chains.

A West Coast buyer sees the "little squeeze light" segment of the market as a "quiet profit winner" at its stores. "These disposables can fit into the palm of your hand, and can easily go into a pocket or women's purse," he said.

"We cross-merchandise them on J-hooks all over the store," he said, noting the automotive section and the checkstand area as two suc-

Continued on page 26

1988 flashlight market sh

(By units—

Source: Rayovac estimates

Aggressive merchandising juices light bulb sales

Conventional drug stores continue to hold onto an estimated 10 percent market share in the battle of the bulbs, but deep discount drug stores are gaining share points in the $1.47 billion light bulb category.

Consumers bought 1.67 billion light bulbs last year, 15 percent more than in 1987. At GTE Sylvania, Rick Kowarek, marketing manager of consumer products, said drug stores can motivate consumers to buy even more bulbs by aggressively promoting the category. Discounters and home centers gained market share last year by doing just that.

"Interestingly, incandescent bulbs have experienced flat sales in drug stores, but fluorescent bulbs gained two share points at the chains last year," said Kowarek, noting that a broader assortment of home lighting products can also generate maximum profits at drug chains.

Bob Birzell, national sales manager-drug at General Electric, said, "Drug stores are holding their own, however, productivity can be increased through more aggressive promotional and merchandising efforts. While mass merchandisers will occasionally run 60-100 watt bulbs as loss leaders, drug stores have been very successful by promoting multiple-SKU ads which drive sales and margins." (See Vereen chart.)

Price Less in Sacramento, Calif., sells lightbulbs in 4-packs to capture higher ticketed sales, and also merchandises such electrical accessories as outlets in its lighting center.

Promotion-driven category

A West Coast chain advertises at least one lighting product a month in its circulars, but prefers to use the advertising formula GE's Birzell mentioned above. "We would advertise a flood light with a three-way bulb and a bug light," the buyer said. A basic light bulb set at this chain averages nine feet, and is part of the "electrical wiring" section that includes batteries and extension cords. This retailer said the chain doesn't get involved with manufacturers' rebate coupons, even though this category is driven by promotions.

Roger Musil, housewares buyer for Snyder Drugs in Minnetonka, Minn., said the home lighting category is strong in its over 200 stores, as it is "being spearheaded by the manufacturers' increased advertising, and instant and mail-in rebates."

Snyder's takes advantage of the on-pack rebates. It mostly carries 2- and 4-pack bulbs in its in-line light bulb section, which takes up eight to 12 feet in each store. Snyder's typically promotes the bulbs five or six times a year in its coupon books and circulars. Musil said the chain also uses in-store coupons on occasion for increased sales.

Edgehill Drugs in Nassau, Del., knows the importance of advertising the category. Gene Frabizzio, housewares buyer for the 16-store chain, said light bulbs are only sold at the chain on a promotional basis. "We don't carry a particular brand, and for bulbs to be sold on an everyday basis, they must be put on sale," he said. These stores choose to carry bulbs four times a year.

Four-pack bulbs, the most competitive bulb packaging in drug stores, are bestsellers at Rx Place, an eight-store deep discounter in the Northeast. Fred Gissubel, buyer, said 12 feet is given to the category. "We carried the 12-pack value pack bulbs last year and they really didn't sell," Gissubel said. Kowarek at Sylvania said consumers for the 8- and 12-packs of bulbs are more likely to shop for them in home centers and discount stores.

Some chains have stepped up their advertising of the category. At Big V Pharmacies,

Continued on page 27

Vereen ad activity survey
January lightbulb advertisements in drug chain circulars

Brand	Model	Sale price	Advertiser
GE	40, 60, 75, 100 4pk	$1.99	Rite Aid
GE	40, 60, 75, 100 4pk	2/4.89	Dart
Philips	40, 60, 75, 100 4pk	1.89	SupeRx
GE	60, 75, 100 4pk	1.69	Longs
GE	4pk	1.89	Eckerd
Philips	60, 75, 100 4pk	1.89	Dunaway
GE	3-way	2/3.00	Thrifty
GE	3-way	2/3.00	Walgreens
GE	40, 60, 75, 100 4pk	1.89	Big B
GTE/Sylvania	Soft White 4pk	1.69	Kerr
GTE/Sylvania	60, 75, 100 2pk	0.99	Brooks
GTE/Sylvania	3-way	0.99	Brooks
GE	Soft White 4pk	1.99	Hooks

Source: Vereen & Associates

Tie-ins a profitable flashlight strategy

Continued from page 25
cessful secondary locations.

Flashlights are given three feet at this West Coast chain, and are included in the electrical wiring section, along with lightbulbs and batteries. Flashlight price points here range from less than $2.00 to $19.99 for the rechargeables.

At Perry Drug Stores, flashlight sales were much better in 1988 than in 1987, even though the chain's experience with higher ticketed models have not been successful, a spokesman said.

"We've merchandised flashlights better by tying them in with batteries and moving them towards the front of the store, so customers can see them from the checkout area," he said. He felt flashlights sold in drug stores are high impulse items.

Perry has doubled flashlight space, too, expanding from 1½ linear feet to 3 feet. Small personal flashlights do well to the degree they're represented at the chain, the spokesperson said, even though Perry doesn't emphasize them.

Bright colors may offer an attractive flashlight display, but a color assortment on a peg may prove to be a headache.

At Arthur Drugs, the eight-store chain in Hartford, Conn., vp Jay Mastriani said the 3-foot flashlight section is kept behind the counter of the photo department, along with batteries. Both categories have a high pilferage rate at Arthur Drugs, and the chain chooses to sell mid-priced models between $5 and $14.

Snyder Drugs' flashlight price points also approach the mid-range of $3.99 to $9.99. Roger Musil, housewares buyer for the 200-store chain based in Minnetonka, Minn., said the category is merchandised near home lighting with batteries on a permanent end-cap fixture.

Rx Place, the eight-store deep discount chain based in New York City, currently sells Garrity and Eveready flashlights in trial-sized baskets in various high-traffic locations. Fred Gissubel, buyer, said "We will eventually change the format and devote approximately two feet to flashlights."

Flashlights now sport pastel and bright colors. "Flashlights were originally red or orange, but with the new colors, they look attractive and add excitement to the category," said Baker at Eveready. Eveready's Trusty Lights come in decorator colors, and Rayovac recently introduced Flashylights, a six-SKU line of bright colors.

However, Perry Drug Stores carries only basic flashlight colors like black and chrome, because the bright colors haven't sold well, the chain's spokesperson said.

And at the West Coast chain, the buyer said bright colors may offer an attractive flashlight display, but a color assortment on a peg proves to be a headache. "When a customer is looking for a certain color and it's the fourth flashlight on the peg, the three other flashlights get dumped, and the section looks unattractive." This chain shies away from bright colored flashlights except during special promotions.

The bright side of American homes

Total U.S. households	90 million
Total U.S. # light bulb sockets	2.4 billion
Average sockets per household	27
Average light bulbs per household	32

Lighting fixture	Percentage of U.S. homes with these fixtures
3-Way bulbs	69%
Night lights	57
Chandelier and globes	46
Fluorescent bulbs	46
Outdoor flood lights	41
Outdoor post lamps	31
Track/recessed lighting	30

Source: Reprinted from *Philips Today*, statistics provided by Total Research Corp., Princeton, N.J.

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Home Lighting TRENDS

The home lighting center at Drug Emporium in North Carolina uses eye-level shelf talkers, including manufacturers' rebate offers, to boost bulb sales.

Thrifty in Hollywood, Calif., merchandises a variety of candelabra bulbs and spotlights along with its basic lightbulb set.

Lighting products

Continued from page 25

the 104-store chain based in London, Ontario, sales are up somewhat for the entire home lighting category. Don Spiers, merchandising group coordinator, attributes this to the doubling of advertisements in store circulars.

"Until last year we advertised lighting products once or twice a year, but now we're promoting them three or four times a year in our circulars," Spiers said. No more than four feet is given to light bulbs at Big V, but at some stores extra space is given to electrical accessories, a small but essential segment in the mix.

Snyder's carries a full line of electrical accessories adjacent to light bulbs, to capture impulse sales. Consumers can choose from light switch plates, adaptors, extension cords and night lights in the 3- to 4-foot section at the chain. The segment is doing well, Musil said.

'Tremendous growth'

Perry Drug Stores in Michigan reported better sales for light bulbs in 1988 than in 1987. "light bulbs have shown tremendous growth for us," a chain spokesperson said. "We've incorporated a heavy promotion schedule, promoting them several times a quarter in our circulars, rather than twice a year like we previously did."

This year Perry expanded its light bulb section to include more special use decorative and candelabra bulbs. Eight to 16 feet is devoted to the category, which is housed in the home lines section at Perry towards the back of the store. Perry's ads feature bulbs at special prices, much lower than their shelf price. Philips 4-pack Longer Life bulbs are among the best sellers at Perry, the spokesperson said, because they are top of the line and carry a higher ticket.

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We increase the demand for GE products with a heavy national advertising campaign—more than $20 million this year. And with over $600 million in promotions and rebates.

And we increase your profits with a broad mix of products that answer all the lighting needs of your customers.

To find out more on how GE can help bring more profitability to your selling floor, call 1-800-GE LIGHT.

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HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Suit filed by feds against Dart Drug, two former execs

Continued from page 1
hold defendants liable for repayment of the funds. At press time, the suit's impact on Fantle's (formerly Dart Drug Stores), which has been under new management since late 1987, was unclear. Fantle said he has seen the complaint, but Fantle's Drug Stores has not yet been officially served.

Fantle declined to comment directly on the suit, but did say in a telephone interview that he doesn't anticipate any "negative effects."

The two executives charged in the suit, Stephen J. Hansbrough, former chairman and treasurer of Dart Drug, and Alvin F. Towle, former president and secretary of the chain in 1984, were also trustees of the Dart Plan. Neither could be reached for comment.

The complaint alleged that the two former trustees invested $3.5 million of Dart Plan assets in 35,000 shares of Dart Drug junior preferred stock, at $100 per share. This stock was convertible to common stock at a rate equal to $3.00 per share.

At the same time, in their individual capacities, Hansbrough and Towle bought 1,165,900 and 1,459,100 shares, respectively, of Dart Drug common stock, at an average price of 33 cents per share. Ownership of these amounts gave them both voting control of Dart Drug.

The complaint alleged that Hansbrough and Towle violated their fiduciary duty under the Employee Retirement Income Security Act (ERISA) because they used monies from the Dart Plan to buy the Dart Drug junior preferred stock for more than the stock's fair market value, on terms less favorable than those received by other investors who bought Dart Drug equity at the time.

In addition, the complaint alleged that the trustees invested Dart Plan assets in the junior preferred stock without seeking an appraisal of the stock's fair market value.

As a result of their breaches, the Labor Department charged that the former executives caused the Dart Plan to suffer financial losses, for which they are jointly and severally liable.

Dart Drug was started in 1954 by Herbert Haft, who sold his interest in the company in mid-1984 to a Hansbrough- and Towle-led group for $187 million, a price tag regarded as high by industry sources. By 1987, Dart's fiscal maneuverings to survive under a crushing debt burden had worn thin with creditors and suppliers.

In November of that year, Fantle bought controlling interest in Dart, and immediately set out to patch relations and restart a steady flow of merchandise to the chain. His current programs are meant to distance Fantle's from the old Dart.

Risa D. Sandler, counsel for general litigation, told *Drug Store News* that Dart Drug is named in the suit because it is a corporate entity. "Even though the name has been changed, and the company is under new ownership, it is still a defendant in the case." The complaint stated that Dart Drug, along with Hansbrough and Towle, is liable to correct the prohibited transactions.

Fantle's to bury past with service program

Continued from page 1
ers by June, and a goal that pharmacy will eventually account for 20 percent of sales, up from 14 percent currently. Stores average 65 scripts a day now, a pace that will have to nearly double to reach this goal, president Jeff Fantle and senior executive vp Fred Edwards told *Drug Store News*.

- A three-year-long chainwide remodeling program that will make over stores in the boutique-style of prototypes in Centreville and Manassas, Va., and Gaithersburg, Md. Over the next 12 months, about a dozen minor remodels at $20,000 to $50,000 each, and three major remodels at $250,000 each, will be done, Jeff Fantle said. Some quick changes: lowering gondolas to 66 inches from 72 and 84 to increase shoppability, and moving managers' offices to the rear of stores. Total remodeling costs could approach $10 million.
- An aggressive charities program, dubbed The Good Neighbor Fund, in which Fantle's will donate 5 percent of the amount on redeemed sales receipts to registered charities and nonprofit groups. This is a proven tactic by supermarket chains to help build loyalty among shoppers who give their receipts to charities for redemption. The difference here is Fantle's 5 percent level, compared with the usual 1 percent.
- Eventual equipping of all stores with scanning. All have POS now.
- The addition of four more stores by the end of 1989.
- A $2 million year-long ad campaign emphasizing service and pharmacy, which began airing during the Academy Awards, and will continue in electronic and print media, in-store promotions, circulars and direct marketing. Fantle's sells 5 to 12 percent of merchandise on ad, depending on the season, mostly through eight to 12 circular pages each week, Jeff Fantle said. That compares with 18 to 32 weekly circular pages Dart had run.

All it will take is money. Fantle's executives said a possible fiscal restructuring, along with sales gains from remodeled and remerchandised stores, and revenues from subleasing 130,000 square feet to be made available by downsizing and revamping drug-home center combo stores, will generate cash to fund these ambitious programs. Many leases are long term, running as long as through 2020 with no increases in rent. Eleven are leased to Fantle's by the Hafts.

Fantle's
DRUGSTORE
HOME DELIVERY POLICY
HOME DELIVERY SERVICE WILL BE AVAILABLE TO OUR CUSTOMERS WITHIN 5 MILE RADIUS OF THIS FANTLE DRUGSTORE.
• ANY DELIVERY INCLUDING A PRESCRIPTION WILL BE DELIVERED WITH NO DELIVERY FEE TO THE CUSTOMER.
• ANY DELIVERY WITHOUT A PRESCRIPTION WILL BE SUBJECT TO THE FOLLOWING:
• ORDERS MUST BE FOR A MINIMUM OF $25.00
• THERE WILL BE A $2.50 FEE CHARGED FOR DELIVERY OF THE PURCHASE.
• HOME DELIVERY OF TOBACCO, BEER AND WINE WILL NOT BE AVAILABLE.
Sign posted by pharmacy at Fantle's, Centreville, Va., explains delivery policy.

Fiscal restructuring seen

"We'll have a real good feel in the next 30 days about financial restructuring possibilities," said Jeff Fantle. Top officers have been working with Kidder Peabody in New York on a possible deal. "We have a better than average chance of doing what we have to do with the restructuring," said Bud. "We inherited great debt. We have to construe the company as a workout."

To that, Bud added: "You don't work a lifetime and put your name on something you don't have confidence in."

He expressed faith in his people, and is investing in them. After seeing the effect of healthy starting salaries for store-level workers in the three Fantle's prototypes, the chain has raised beginning wages in all stores to $5 an hour, up from $4.25. Many fringes have been improved as well.

"If we pay for good people, we'll get good productivity," said Bud, noting zero turnover in staff at the Fantle's prototypes.

Under Mark Arensmeyer, senior vp-human resources, every chain employee has been trained to emphasize customer service and satisfaction. As a motivator, "all performance and salary reviews will be directly tied to their attitude toward customer service," said Bud Fantle.

To help convey the seriousness of the message, Jeff Fantle shopped the chain's stores as a grubby customer not long ago. His shabby treatment at two stores caused him to fire virtually their entire staffs, he said.

To the Fantle's, the chain's name change is more than symbolism. It marks a deliberate distancing from Dart, which had become known in the market for onerous customer service policies and lax merchandising control—and now allegedly for cheating employees out of pension funds.

"We'll do whatever it takes," said Jeff Fantle, with a determined look. "Yes, we're nervous. Yes, there is pressure. But we are content because we are controlling our own destiny," he added, speaking of the top management team.

This is also the first time Bud and Jeff Fantle are working side by side. "People think we have, but we never really have," said the son, recounting their careers at Peoples divisions, spent either in different cities or out on the road a lot.

Assessing what's ahead, Bud Fantle said, "Once it's set up, I'll step aside. I'll be here two to three years at most."

Spring show bows new booth format

Continued from page 1
The booth show starts Tuesday at 9:00 a.m. and runs until 5:00 p.m. From 5:00 p.m. to 6:30 p.m., there will be a cocktail party for members.

On Wednesday, the vendors will exhibit from 9:00 a.m. to 4:15 p.m. From 4:30 p.m. to 5:30 p.m., there will be a second-day cocktail party, where a drawing for a trip for two to Hawaii will be held.

An all-day meeting for members Thursday starts with a "What's Good With You" session in the morning, when members will present their most successful merchandising ideas of the past year. There will also be an update on H&BAs and cosmetics.

After lunch, *Drug Store News* will host a panel discussion on sundries, followed by a separate presentation on the category led by Bob Berman of May's Drug, and Vern Morse of K&B.

The booth show was decided upon after many vendors said they prefer the format as a less costly, more accessible avenue to buyers. However, since some vendors still prefer rooms for private talks with major accounts, the upcoming fall show will likely be a combination of booth and room format.

"We're trying to give them the best of both worlds," noted Jack Fruth, president of Fruth Pharmacy and Affiliated/Associated's first chairman.

Starting in 1990, the spring show will probably be taken outside New York for two reasons: high costs and a desire to entice new regional vendors.

Lucky-American merger okayed by appellate court

Continued from page 1
necessary to prevent what he calls a "monopolistic merger." Van de Kamp has argued that the combination of Lucky's 336 stores with those of Alpha Beta would severely restrict supermarket competition in California and lead to higher prices for consumers.

In its ruling, the appeals court agreed that the merger would restrict competition by giving the combined companies about one-fourth of the total supermarket business in the state. In addition, it left the door open for further legal action by giving the attorney general the right to address, through the courts, some of the "anticompetitive symptoms of the merger." That could include possible moves by Van de Kamp to block the closing of some old stores or the opening of some new ones.

American Stores counters that the merger would actually lead to lower prices as the company takes advantage of cost efficiencies and adapts Lucky's everyday low-price strategy to its Alpha Beta operation.

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Vol. 11, No. 8 April 17, 1989

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DRUG STORE NEWS

SECOND CLASS

Vol. 11/No. 9 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. May 1, 1989

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SPECIAL SAMI REPORT

Tracking private label & store brands in chains

During the year ended Feb. 24, drug store retail dollar volume of private label brands in 52 H&BA product categories combined amounted to $778.4 million, or 9.6 percent of the total volume in these categories. This is more than double their level in food stores, where year-end share in the same categories was 4.4 percent.

The drug store dollar volume contributed by H&BA store brands exceeded $25 million in nine of the product categories tracked by SAMI. Topping the list was $112.7 million for private labels of internal analgesics, followed closely by $104.8 million of synthetic vitamins, which held a 31.2 percent share. Private label accounted for $76.6 million of cold remedies and $47.2 million of cough remedies.

PRODUCT TRACKING
ALAN MILLER

Besides their sales importance in synthetic vitamins, private labels enjoyed an even higher share among natural vitamins, minerals, and supplements, where 52-week sales were $64.7 million.

First aid was another area of strength for price brands, at $32.6 million in antiseptics, and $43.9 million in other first aid products (including bandages, gauze, cotton swabs and the like). Completing the over $25 million list for private label were laxatives and stool softeners ($41.2 million), and external analgesics ($25.7 million).

Evaluating performance

In many instances it is important for either name brand or private label manufacturers to evaluate private label performance at the product class level of measurement. In first aid, for instance, private labels account for 20.3 percent of total category volume but have a share of 66.6 percent of cotton, other than cosmetic balls or swabs. At the same time, store brands account for only $9,000 or 0.3 percent of first aid kits within this first aid products category.

Their penetration level is more evenly distributed in the two classes of baby powders, where they have an annual dollar share of 19.2 percent in the category. This is divided into a share of 19.7 percent for those items without corn starch and 17.5 percent for those with corn starch, but this even trending seems to be the exception rather than the rule.

One of the most dramatic differences in private label importance between classes is found in the synthetic vitamins category. Here the private labels account for 90 percent of the vitamin B1 and B12 volume, but only 19.2 percent of the sales of multi plus mineral items.

There are also wide variations in private label share levels in the laxatives and stool softeners category, ranging from a high of 70.7 percent for citrate of magnesia to a low of zero volume for phosphate of soda.

Quite often private labels have their strength in the product classes with the highest volume. In the subcategory of cream and lotion baby oils within the high-volume baby oil category, for example, private labels account for 32.4 percent.

Baby oils account for 25.9 percent of petroleum jelly movement, which also is one of the highest-volume categories.

Another variable which accounts for the importance or lack of importance might be described as the amount of value-added or specialty features represented.

For a long time, the stick deodorant brands offered were deodorants only. In this product class private labels now have a share of 4.4 percent. However, among stick antiperspirants, which is where the action has been in recent years and which account for nearly 70 percent of category volume, private labels have a share of just 1 percent.

Another example of th phenomenon is found in t category of external analg sics. Private label linimen where there is value-add and advertising of produ features, account for 5.2 p cent of dollars. Howev their share is 73.2 percent the alcohol/witch hazel cla and 81.3 percent in the case epsom salts and boric ac The accompanying table id tifies 28 product classes w $10 million or more in priv label movement. It is hea by general cold remedy t lets, which enjoy annual sa of $41.1 million and hav share of 15.0 percent (c pared with a share of 11.9 p cent in the entire cold rem category).

Three of the top 10 proc classes with the highest ume for private labels ar the internal analgesics cat ry, and there are import differences in their share els. Private label brands count for 20.1 percent of drug store sales of asp compounds, 16.1 percen ibuprofen volume, and 11.1 percent among the a non-aspirin entries.

Market fluctuations

One last point concerns ever-important variable volving market-by-ma fluctuations in the streng store brands versus ad tised brands.

Among cold remedies, national private label sha 11.9 percent, but is as lo 4.7 percent in Chicago ar high as 20.0 percent in Syracuse market. Among thetic vitamins, where th tional drug store share o vate label items is percent, their share is percent in the Albany/S ectady/Troy market but 8.4 percent in Milwauke

Readers wishing to h report showing private drug store penetration in all 52 H&BA categori obtain one by sending quest on company stati to Warren Spence, vp I marketing, SAMI, 55 G Farms Road, West Conn. 06880.

Product classes of H&BA categories with more than $10 million in annual private label drug store volume

(Year ending Feb. 24, 1989)

Product class	Product category	Annual private label volume in product class in millions	Private label share in product class
General cold remedies tablets	cold remedies	$41.1	15.0%
Aspirin compounds	internal analgesics	35.6	20.1
Minerals	natural vitamins, minerals, supplements	26.6	26.9
Cough syrups	cough remedies	26.0	17.0
Ibuprofen	internal analgesics	25.2	16.1
Non-aspirin	internal analgesics	24.9	11.1
Vitamins	natural vitamins, minerals, supplements	23.2	39.5
Multi	synthetic vitamins	22.6	24.7
Vitamin C	synthetic vitamins	21.4	63.9
Multi plus mineral	synthetic vitamins	20.3	19.2
Cream/lotion baby oil	first aid products	19.7	19.1
Vitamin E	synthetic vitamins	17.5	68.2
Antacid	antacids	16.9	8.0
Liquid general cold remedies	cold remedies	16.8	13.0
Non-aspirin	mouthwash	15.6	8.5
Supplements	natural vitamins, minerals, supplements	14.8	38.2
Soft contact lens solution	eye care products	14.6	4.6
Powder	laxative and stool softeners	14.3	14.5
Alcohol and witch hazel	external analgesics	13.8	73.2
Other (than balls or swabs) cotton	first aid products	13.3	66.6
Aspirin	internal analgesics	12.9	19.4
Cough drops	cough remedies	12.7	17.0
Ibuprofen	internal analgesics	11.8	18.6
Pills, tablets, gum mints	laxatives and stool softeners	11.1	6.8
Cotton swabs	first aid products	11.0	25.4
Hay fever, tablets	cold remedies	10.9	12.4
Adhesive bandages	first aid products	10.5	17.8
B complex plus C	synthetic vitamins	10.0	26.4

Source: SAMI

DRUG STORE NEWS®

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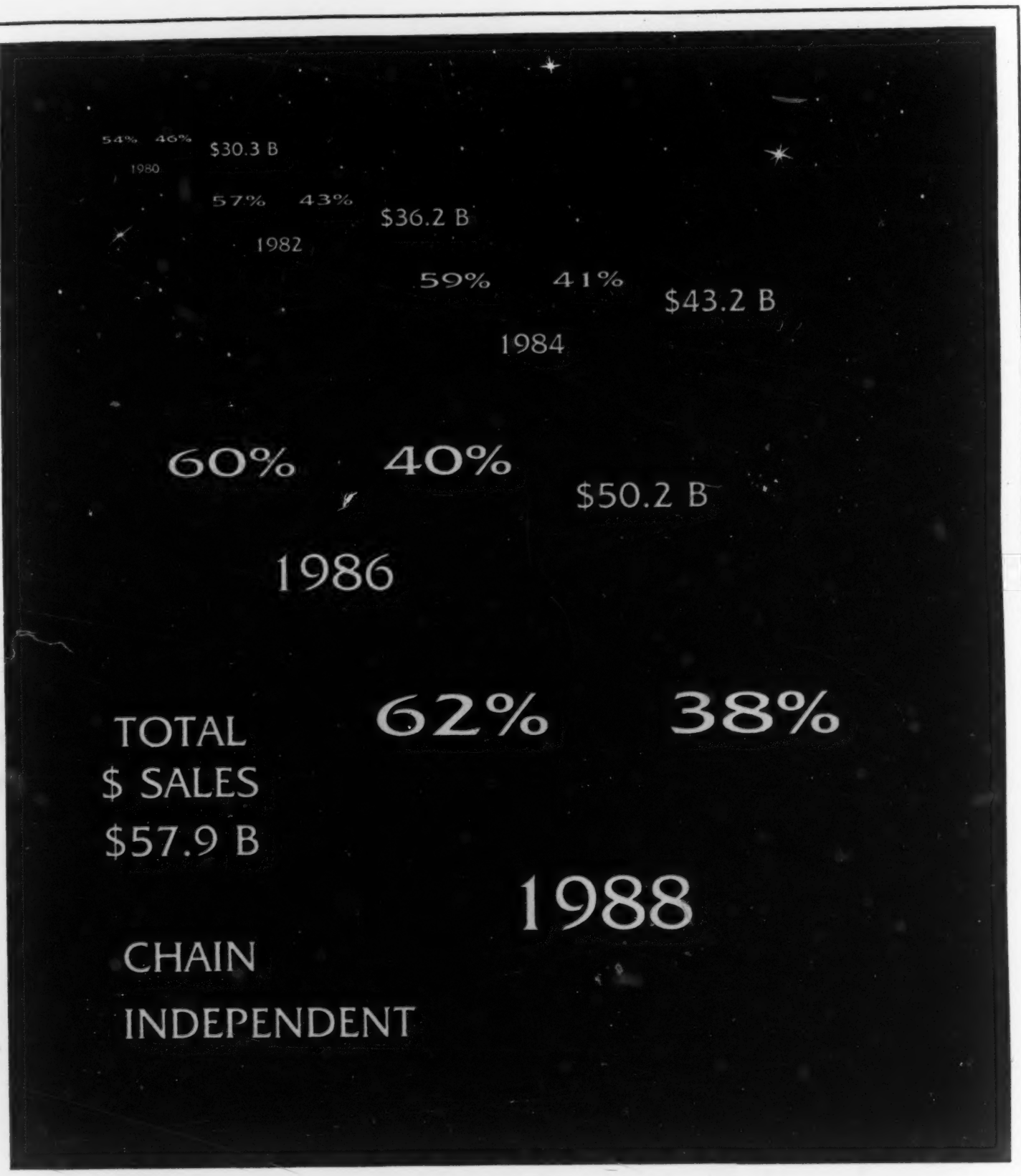

Chain volume up sharply; total sales hit $58B

Continued from page 1

Technology became a main priority of chains in their struggle to retain their competitive edge in locations and pharmacy strength.

Most chains have now completely computerized their pharmacy departments. Now they are turning their attention to the front end, where they are beginning to introduce POS systems capable of tracking individual item movement. The advantages that such systems offer in inventory management and turnover are already being felt at some chains.

Most companies are only at the starting line in scanning, but a handful, like Rite Aid, Pay Less, Thrift, Osco and Revco, have moved ahead rapidly. While Walgreens and Eckerd are less advanced in scanning itself, they have developed their own highly effective item-tracking systems. These systems have allowed them to project chain-wide product movement with a high degree of accuracy.

A few chains are exploring "quick response" methods of electronic communication between retailers and suppliers that promise more timely delivery of goods and even better inventory turnover. Eckerd, for example, has been using electronic data interchange (EDI) with some vendors for two years and is working on improving and expanding the program. And Walgreens is in a pilot EDI program with four vendors.

'88 was 'outstanding' for chain drug industry

It was an outstanding year for the chain drug industry, both in sales growth and investment for the future. But there were other developments during the year that were also notable.

Acquisition activity, for one thing, remained heated, though not of the ferocious intensity seen in past years. There were several large mergers, but no blockbusters. Rite Aid continued to be aggressive, buying 114 former Lane drug stores in the Midwest from Peoples, as Peoples began to slim down to a smaller and more profitable core of stores in its mid-Atlantic heartland.

Rite Aid also won the Kentucky-based Begley chain in a bidding war with SupeRx Corp. of Phoenix. SupeRx then purchased the 90 stores operated by the ailing Medicare-Glaser chain in St. Louis.

Hook-SupeRx Inc., another chain that didn't mind leaping geographic boundaries in its quest for growth, acquired Brooks Drug, a chain of 361 drug and H&BA stores based in Rhode Island. The purchase put the company over the billion-dollar mark in sales.

Thrifty Corp. weighed in with a mega-acquisition of its own, buying Pay 'n Save Corp. of Seattle. The deal brought

Continued on page 67

Evolving character of the chain drug industry

	No. of companies			No. of stores		
Chain store size	1978	1988	% change	1978	1988	% change
Two-three-store companies	2,106	1,299	−38%	4,581	2,961	−35%
Four-10-store companies	477	393	−18	2,549	2,112	−17
11-or-more-store companies	173	127	−27	12,160	17,747	46
Totals	2,756	1,819	−34	19,290	22,820	18

Source: Chain Store Guides

Average chain drug store performance

Company	Store size (sq. ft.)	Sell space	Sales per store (000)	Sales per sq. ft. of sell space
Duane Reade	5,000	5,000	$6,719	$1,344
Medicine-Shoppe	1,072	650	512	787
Jean Coutu	7,420	7,420	4,892	659
Shoppers Drug Mart	7,500	6,000	3,850	642
Longs	23,000	15,180	8,159	537
Rockbottom	17,000	16,000	7,692	481
F&M	24,000	17,000	6,091	358
Walgreens	13,700	9,500	3,356	353
Wellby	7,000	6,000	2,056	343
Arbor	10,800	9,300	3,081	331
Drug Emporium	25,000	18,000	5,942	330
Kinney	8,500	7,500	2,333	311
Osco	21,360	16,660	4,853	291
Thayer	6,000	5,800	1,667	287
Fay's	15,000	12,000	3,441	287
Douglas	15,000	13,800	3,947	286
Medic Discount Drug	10,000	9,000	2,500	278
Thrift	10,000	8,000	2,221	278
Discount Drug Mart	22,000	20,000	5,192	260
Rix Dunnington	7,000	6,200	1,596	257
Eckerd	8,640	7,200	1,835	255
Snyder's	10,000	8,914	2,090	234
Taylor	9,000	7,900	1,750	222
Standard	5,600	5,200	1,136	219
Snyder Bros.	10,000	8,500	1,850	218
Rite Aid	6,720	5,800	1,257	217
Pay Less NW	31,000	25,500	5,390	211
Bartell	9,477	7,697	1,613	210
Bill's	18,000	15,000	3,040	203
K&B	14,265	12,563	2,498	199
Peoples	10,800	9,500	1,859	196
May's	10,000	8,000	1,538	192
Revco	8,450	6,776	1,275	188
Kerr	9,600	8,800	1,570	178
Big B	10,000	8,000	1,330	166
Harco	9,800	8,800	1,429	162
Thrifty/White	12,000	10,500	1,669	159

Source: *Drug Store News* 1989 Chain Drug Survey

Top 50 American drug chains: 1988 dollar volume

Rank Company	Headquarters	Drug store sales (in millions)	% change	Store totals	% change	FY end
1. Walgreens	Deerfield, IL	$4,752	14.4%	1,416	4.4%	8/31/88
2. Osco Drug	Chicago	3,193	4.8	658	2.0	1/28/88
3. Eckerd[1]	Clearwater, FL	2,900	5.0	1,580	− 0.1	1/31/89
4. Rite Aid	Shiremanstown, PA	2,728E	14.6	2,171	4.8	3/4/89
5. Thrifty[2]	Los Angeles	2,400	30.2	806	25.7	11/30/88
6. Revco	Twinsburg, OH	2,400	4.3	1,882	− 6.7	6/03/89
7. Longs	Walnut Creek, CA	1,925	8.6	236	3.1	1/26/89
8. CVS	Woonsocket, RI	1,688	21.0	752	7.7	12/31/88
9. Peoples	Alexandria, VA	1,500	7.1	807	2.2	12/31/88
10. Pay Less NW	Wilsonville, OR	1,450E	13.3	269	3.9	1/21/89
11. Hook-SupeRx, Inc.[3]	Cincinnati	1,280	17.4	1,028	57.2	8/31/88
12. Thrift	Pittsburgh	977	11.1	440	8.1	1/28/89
13. Drug Emporium[4]	Worthington, OH	880E	10.0	170	24.1	2/28/89
14. Phar-Mor	Youngstown, OH	752E	51.6	123	54.0	6/30/88
15. Perry	Pontiac, MI	646	12.9	222	0.0	10/31/88
16. Fay's	Liverpool, NY	492	3.6	153	− 3.2	1/31/89
17. F&M	Warren, MI	462E	40.0	66	26.9	1/31/89
18. Medicine Shoppe[5]	St. Louis	386	17.0	755	6.8	9/30/88
19. K&B	New Orleans	372	2.2	149	0.7	9/30/88
20. Genovese	Melville, NY	366	16.6	90	8.4	2/3/89
21. Big B	Bessemer, AL	271	8.8	204	11.5	1/28/89
22. Pic N' Save	Jacksonville, FL	265E	6.0	41	0.0	12/31/88
23. Arbor	Troy, MI	246	14.4	80	8.1	7/31/88
24. Fantle's (Dart)	Landover, MD	218	−18.0	72	−15.3	7/31/88
25. Duane Reade	Long Island City, NY	215E	7.5	32	6.7	12/31/88
26. Rockbottom	Port Washington, NY	200E	31.6	26	4.0	1/31/89
27. Marc's	Middleburg, OH	197E	8.2	15	25.0	6/30/88
28. Super D[6]	Memphis	160E	−11.1	102	− 3.8	8/31/88
29. Kerr	Raleigh, NC	135	19.5	86	10.3	6/30/88
30. Discount Drug Mart	Medina, OH	135	17.4	26	8.3	3/31/89
31. Snyder	Minnetonka, MN	130	11.1	62	1.6	7/29/88
32. Medicare-Glaser[7]	St. Louis	115E	7.5	86	− 1.1	3/31/89
33. A.D. Clark	Los Angeles	115E	4.5	19	0.0	12/31/88
34. Drug Fair of NJ	Somerville, NJ	115E	11.7	31	0.0	7/31/88
35. Harco	Northport, AL	110E	5.8	77	6.9	7/31/88
36. SGC Drug Store Div.	Woodbridge, NJ	105E	5.0	35	9.4	1/29/89
37. Carl's	Rome, NY	100E	11.1	48	− 4.0	12/31/88
38. Taylor	Louisville, KY	98E	19.5	56	21.7	9/30/88
39. Thrifty/White	Minneapolis	93	4.5	56	0.0	4/30/89
40. SupeRx[8]	Phoenix, AZ	90E	11.1	59	0.0	2/27/88
41. LaVerdiere's	Winslow, ME	87E	− 3.3	59	− 4.8	1/31/89
42. Medi-Save[9]	Baton Rouge, LA	86E	6.2	89	15.2	5/31/88
43. Bill's	Benecia, CA	76	8.6	25	0.0	4/1/89
44. Standard	Richmond, VA	75E	2.7	66	− 1.5	3/31/89
45. Wellby	Portland, ME	74	13.8	36	0.0	12/31/88
46. Kinney Drugs	Gouverneur, NY	70	11.1	30	7.1	12/31/88
47. Dot Discount Drugs	Bentonville, AR	70E	40.0	14	16.7	1/31/89
48. Douglas	N. Providence, RI	59E	11.3	15	0.0	3/31/89
49. Rix Dunnington	Auburndale, MA	59	7.3	37	− 7.5	1/31/88
50. Drug Town	Chariton, IA	57E	14.0	22	0.0	12/31/88

E = estimates
1. Includes 13 VisionWorks stores
2. Includes Thrifty, Pay 'n Save and Bi-Mart Discount Stores
3. Includes 357 Hook stores, 323 SupeRx and 348 Brooks
4. Includes 69 company-controlled stores and 101 franchise stores
5. All data based on calendar year
6. Includes three Ike's deep discount stores
7. Medicare-Glaser acquired by SupeRx Corp. March 1989
8. SupeRx Corp. acquired Medicare-Glaser March 1989
9. Store count includes retail stores only, not institutional pharmacies

Source: *Drug Store News* 1989 Chain Drug Survey

Top Canadian drug chains

Company	Headquarters	Drug store sales, latest FY (millions $ Canadian)	% Change	Store totals	% Change	FY Ended
Shoppers Drug Mart	Toronto	2,356	13.7	612	4.4	12/31/88
Jean Coutu	Longeuil, Que.	680	30.3	139	32.3	3/31/88
Pharma Plus Drugmarts (Formerly Boots)	Etobicoke, Ont.	280*	NA	108	−38.0	1/28/89
Big V	London, Ont.	230*	NA	103	1.0	9/30/88

* Estimated

Source: *Drug Store News* 1989 Chain Drug Survey

Drug chains show gains in investment, sales growth

Continued from page 65

the Los Angeles-based chain 110 Pay 'n Save stores and 37 Bi-Mart membership discount units.and lofted the company into the number-five spot on the sales chart with a volume of $2.4 billion.

Aside from the deals outlined above, there was a distinct slowing in the aggressive growth of past years.

An exception was the expansion activity in the deep discount arena, where the three top companies, Drug Emporium, Phar-Mor and F&M, vied with one another for top billing as the most aggressive company. The numbers told the story. While both Drug Emporium and F&M had store increases of around 25 percent, Phar-Mor's growth topped 50 percent, a remarkably aggressive number considering the investment required to launch a deep-discount mega-store like Phar-Mor.

But many observers felt the real long-term threat to drug chains was not the deep-discounters but the supermarket combination stores, which threaten to wrest away the drug stores' prime customers with one-stop shopping convenience. That threat, indeed, was where drug chains were focusing their energies as they geared up for the 1990s.

Chain drug store remodeling

Company	1986	1987	1988	% of 1988 total stores
Eckerd	233	286	267	16.9%
Rite Aid	79	146	245	11.3
Revco	NA	100	125	6.6
Peoples	NA	150	100	12.4
Walgreens	89	119	60	4.2
Thrifty	NA	16	37	4.6
Medicine Shoppe	31	23	30	4.0
Big B	15	25	26	12.7
Shoppers Drug Mart	NA	24	22	3.6
Thrift	20	25	14	3.2
Drug Emporium	2	10	8	11.6
Jean Coutu	5	5	8	5.8
F&M	NA	2	6	9.1
Duane Reade	4	4	5	15.6
Rockbottom	5	5	5	19.2
Osco	22	19	5	0.8
Snyder's	6	4	5	8.1
Fay's	NA	3	5	3.3
Genovese	8	5	5	5.6
Pay Less NW	NA	6	4	1.5
Kerr	2	3	4	4.7
K&B	2	3	4	2.7
Taylor	11	4	4	7.1
Thrifty•White	4	3	4	7.1
Medic Drug	NA	2	3	15.0
Harco	6	3	3	3.9
Medi-Save	3	7	3	3.4
Rix Dunnington	5	4	3	8.1
Discount Drug Mart	2	2	3	11.5
Bartell	NA	1	2	6.5
Thayer	NA	3	2	6.7
Bill's	NA	NA	2	8.0
Wellby	4	3	2	5.6
May's	NA	2	2	7.7
Kinney	2	2	2	6.7
Douglas	NA	1	1	6.7

Source: *Drug Store News* 1989 Chain Drug Survey

Top 50 American drug chains: 1988 store totals

Rank Company	Headquarters	Store totals	% change
1. Rite Aid	Shiremanstown, PA	2,171	4.8%
2. Revco	Twinsburg, OH	1,882	– 6.7
3. Eckerd	Clearwater, FL	1,580	– 0.1
4. Walgreens	Deerfield, IL	1,416	4.4
5. Hook-SupeRx, Inc.[1]	Cincinnati	1,028	57.2
6. Peoples	Alexandria, VA	807	2.2
7. Thrifty[2]	Los Angeles	806	25.7
8. Medicine Shoppe	St. Louis	755	6.8
9. CVS	Woonsocket, RI	752	7.7
10. Osco Drug	Chicago	658	2.0
11. Thrift	Pittsburgh	440	8.1
12. Pay Less NW	Wilsonville, OR	269	3.9
13. Longs	Walnut Creek, CA	236	3.1
14. Perry	Pontiac, MI	222	0.0
15. Big B	Bessemer, AL	204	11.5
16. Drug Emporium[3]	Worthington, OH	170	24.1
17. Fay's	Liverpool, NY	153	– 3.2
18. K&B	New Orleans	149	0.7
19. Phar-Mor	Youngstown, OH	114	42.5
20. Super D	Memphis	102	– 3.8
21. Genovese	Melville, NY	90	8.4
22. Medi-Save[4]	Baton Rouge, LA	89	–15.2
23. Medicare-Glaser[5]	St. Louis	86	– 1.1
24. Kerr	Raleigh, NC	86	10.3
25. Arbor	Troy, MI	80	8.1
26. Harco	Northport, AL	77	6.9
27. Fantle's (Dart)	Landover, MD	72	–15.3
28. F&M	Warren, MI	66	26.9
29. Standard	Richmond, VA	66	– 1.5
30. Snyder	Minnetonka, MN	62	1.6
31. LaVerdiere's	Winslow, ME	59	4.8
32. SupeRx[6]	Phoenix, AZ	59	0.0
33. Thrifty/White	Minneapolis	56	0.0
34. Taylor	Louisville, KY	56	1.7
35. Carl's	Rome, NY	48	– 4.0
36. Pic N' Save	Jacksonville, FL	41	0.0
37. Rix Dunnington	Auburndale, MA	37	– 7.5
38. Wellby	Portland, ME	36	0.0
39. SGC Drug Store Div	Woodbridge, NJ	35	9.4
40. Duane Reade	Long Island City, NY	32	6.7
41. Drug Fair of NJ	Somerville, NJ	31	0.0
42. Bartell	Seattle	31	3.3
43. Kinney Drugs	Gouverneur, NY	30	7.1
44. Thayer Pharmacies	Stoughton, MA	30	– 3.2
45. Rockbottom	Port Washington, NY	26	4.0
46. May's Drug Stores	Tulsa, OK	26	0.0
47. Discount Drug Mart	Medina, OH	26	8.3
48. Bill's	Benecia, CA	25	0.0
49. Drug Town	Chariton, IA	22	0.0
50. Snyder Brothers	Minneapolis	20	0.0

1. Includes 357 Hook stores, 323 SupeRx, 348 Brooks
2. Includes Thrifty drug stores, Pay 'n Save and Bi-Mart discount stores
3. Includes 69 company-controlled stores and 101 franchised stores
4. Includes retail stores only, not including institutional pharmacies
5. Acquired by SupeRx Corp. March 1989
6. Acquired Medicare-Glaser March 1989

Source: *Drug Store News* 1989 Chain Drug Survey

10-year drug store growth trend

Year	Total stores	Chain stores	Chain share	Indep. stores	Indep. share
1988	54,172	19,859	37%	34,313	63%
1987	53,963	19,142	35	34,821	65
1986	52,800	18,310	35	34,490	65
1985	52,500	17,740	34	34,760	66
1984	52,139	17,194	33	34,945	67
1983	50,264	16,589	33	33,675	67
1982	49,527	16,144	33	33,383	67
1981	49,310	15,864	32	33,446	68
1980	49,192	15,615	32	33,577	68
1979	48,822	15,110	31	33,712	69

Source: *Drug Store News* Chain Drug Survey

10-year sales trends

($ sales in billions)

Year	Total industry	% change	Total chain	% change	Total indep.	% change
1988	$57.9	8%	$36.0	10%	$21.9	5%
1987	53.5	6	32.7	8	20.8	4
1986	50.2	7	30.2	7	20.0	7
1985	47.0	9	28.2	11	18.8	6
1984	43.2	9	25.5	12	17.7	5
1983	39.7	10	22.8	11	16.9	8
1982	36.2	8	20.5	11	15.7	5
1981	33.4	10	18.5	12	14.9	8
1980	30.3	12	16.4	16	13.9	7
1979	27.2	12	14.2	17	13.0	6

Source: *Drug Store News* Chain Drug Survey

1988 chain drug stock performance

Company	1988 stock prices High	Low	Close 12/30/88	Percent change from 12/31/87	4/12/89 price	4/12/89 P/E
American Stores	$66.50	$47.63	$57.88	+ 15%	$60.00	24.0
Arbor	14.25	9.50	14.25	+ 46	19.75	16.0
Big B	16.00	10.25	12.63	+ 11	11.00	11.0
Dart Drug (Fantle's)	NA	NA	1.75	NA	1.50	NA
Drug Emporium	18.00	12.63	16.25	NA[1]	22.50	NA
Fay's	11.88	5.38	11.38	+104.5[2]	10.63	15.0
Genovese	13.38	9.63	9.88	– 7	11.13	13.0
Leroy	NA	NA	$ 4.88	NA[3]	$ 5.13	NA
Longs	$37.38	$29.38	35.50	+ 17	35.38	13.0
Medicare-Glaser	5.50	1.75	5.13	+141	•	•
Medicine Shoppe	27.00	18.75	22.25	+ 17	26.00	22.0
Perry Drug	10.00	5.25	6.75	+ 23	10.38	NA
Rite Aid	40.88	29.13	32.63	– 9	34.75	15.0
Walgreens	37.38	27.13	30.25	– 2	37.88	17.0

[1]Drug Emporium went public during 1988; therefore, there is no percent change.

[2]Fay's paid a 10 percent stock dividend June 6, 1988, affecting the percentage change from 12/31/87, which has been adjusted.

[3]Leroy issued its initial public offering Nov. 7, 1988, at $5 per unit.

*Medicare-Glaser no longer listed, since SupeRx of Arizona purchased it.

Source: *Drug Store News* research

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Our promotions are making people see the light.

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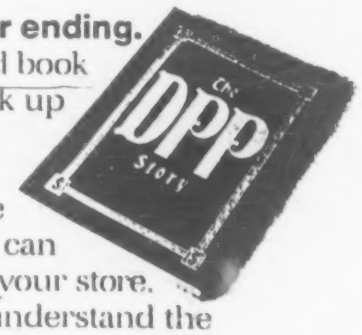

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Financial review

Continued from page 68

ful bid for Begley, last fall entered a definitive agreement to purchase Medicare-Glaser for $18.2 million, a deal that was completed in March 1989.

Medicare-Glaser had struggled in vain since going public in November 1983 to achieve strong earnings, but since "Black Monday," its stock prices had plummeted. The buy is being financed by American Continental, acting as equity partner to SupeRx.

While these and other chains were busy with acquisitions, Revco and Dart Drug (now renamed Fantle's) were struggling to keep their heads above water.

Revco's troubles, stemming from its December 1986 LBO by a group of lending banks and junk bond investors, dominated headlines during much of 1988. [*See Revco profile.*]

In June, the chain defaulted on a $46 million interest payment to its junk-bond holders. That precipitated Revco's filing for Chapter 11 July 28, marking the first major failure of an LBO in the industry.

In September, the chain negotiated a new $145 million credit package, approved by U.S. Bankruptcy Court in Akron, Ohio. The package freed up bank loans, enabling the chain to stock its stores for the fall and Christmas selling season and into '89.

To emerge from bankruptcy, Revco must develop an acceptable payment plan for $1.5 billion in liabilities.

Dart Drug (Fantle's) struggled with major financial problems during the year. In March 1988, Dart Drug offered 2.8 million common shares and 2.1 million stock options to shareholders, to raise about $6 million in order to upgrade stores, buy inventory and reduce accounts payable. But much of the earnings and cash flow of the highly leveraged company was used to service debt.

For fiscal 1988, Dart Drug reported a net loss of $24.5 million on sales of $218.2 million (compared with a $1.8 million loss on $265.6 million in sales the previous year).

Dart Drug retained $22.7 million in cash from the sale of stock and 11 leasehold interests during the year, and in April 1989, management was considering a fiscal restructuring to help finance its ambitious plans for the new Fan-

Scorecard for publicly-held drug chains

Drug store units

Company	'88	'87	'86	'85	'84
Rite Aid	2,171	2,072	1,586	1,372	1,275
Walgreens	1,416	1,356	1,273	1,095	1,002
Longs	236	229	222	208	191
Perry	222	222	203	191	146
Big B	204	183	150	126	114
Fay's	153	155	150	139	125
Genovese	90	83	79	75	77
Arbor	80	74	52	43	N.A.

Source: Company reports

Return on equity percentages

Company	'88	'87	'86	'85	'84
Walgreens	19.3%	17.6%	19.9%	21.0%	22.3%
Genovese	18.2	17.6	8.1	12.7	19.3
Longs	18.1	16.4	13.3	13.5	—
Fay's	17.6	10.8	6.8	4.6	15.6
Arbor	16.3	14.7	24.4	38.9	N.A.
Rite Aid	15.8	28.3	19.6	16.6	20.6
Big B	N.A.	12.4	12.9	12.5	15.9
Perry	*	*	7.4	13.3	12.7

* Reported net loss
Source: Company reports

Net-to-sales ratio

Company	'88	'87	'86	'85	'84
Rite Aid	3.3%	5.8%	4.3%	4.8%	5.1%
Longs	2.9	2.8	2.4	2.5	2.9
Big B	2.7	2.9	2.1	2.3	2.9
Arbor	2.7	2.4	3.5	3.0	N.A.
Walgreens	2.6	2.4	2.8	3.0	3.1
Fay's	1.9	1.2	0.9	0.6	2.4
Genovese	1.5	1.5	0.8	1.2	1.9
Perry	*	*	0.9	1.8	2.1

*Reported net loss
Source: Company reports

Expense ratio*

Company	'88	'87	'86	'85	'84
Longs	20.1%	19.8%	19.2%	19.3%	—
Rite Aid	21.4	20.4	19.7	19.5	17.5%
Arbor	23.8	23.9	22.8	22.7	N.A.
Walgreens	24.4	25.4	25.0	24.2	24.1
Big B	N.A.	24.4	24.3	24.2	23.2
Perry	26.3	28.0	28.2	27.8	26.2
Genovese	26.4	26.8	27.5	28.1	24.7
Fay's	29.6	25.8	23.6	20.8	20.2

*Excludes depreciation and amortization costs
Source: Company reports

Gross margin percentage

Company	'88	'87	'86	'85	'84
Big B	N.A.	30.2%	29.7%	29.2%	29.3%
Fay's	29.6%	27.8	26.8	23.7	25.5
Walgreens	29.0	29.9	30.3	30.7	30.7
Genovese	29.0	29.7	29.1	28.9	29.7
Arbor	28.7	28.8	29.2	28.3	N.A.
Rite Aid	28.2	28.0	28.6	28.7	29.3
Perry	26.1	30.5	31.1	31.7	31.1
Longs	24.9	25.3	24.1	24.2	24.0

Source: Company reports

Net income
(In millions of $)

Company	'88	'87	'86	'85	'84
Walgreens	$129.1	$103.5	$103.1	$94.2	$85.4
Rite Aid	95.2	144.6	78.0	62.5	69.9
Longs	55.9	49.2	38.6	37.7	40.1
Fay's	10.0	5.9	4.1	2.8	8.7
Big B	7.2	7.3	4.5	4.0	4.4
Arbor	6.5	5.2	5.3	3.6	N.A.
Genovese	5.5	4.6	2.0	2.9	4.1
Perry	(29.9)	(7.9)	5.9	9.6	7.7

Source: Company reports

Sales per average store
(In thousands of $)

Company	'88	'87	'86	'85	'84
Longs	$8,300	$7,740	$7,367	$7,155	$7,203
Genovese	4,071	3,727	3,427	3,107	2,861
Walgreens	4,400	3,063	2,769	2,765	2,609
Arbor	3,300	2,909	2,913	2,800	N.A.
Perry	3,000	2,477	2,399	2,007	1,983
Fay's	2,878	2,705	2,645	3,112	2,934
Big B	1,330	1,322	1,288	1,190	1,299
Rite Aid	1,257	1,149	1,108	1,057	1,017

Source: Company reports

Total corporate sales
(In millions of $)

Company	FY ends	'88	'87	'86	'85	'84
Walgreens	8/31/88	$4,884	$4,282	$3,661	$3,162	$2,745
Rite Aid	3/3/89	2,867	2,486	1,757	1,564	1,360
Longs	1/26/89	1,925	1,772	1,635	1,480	1,376
Perry	10/31/88	667	726	648	552	373
Fay's	1/31/89	527	500	452	445	367
Genovese	2/3/89	366	314	271	223	220
Big B	1/28/89	271	249	210	175	148
Arbor	7/31/88	247	215	151	120	N.A.

Source: Company reports

Annual Report Part I: Mergers and Acquisitions

The year's major takeovers

Company	Acquisition	Store locations	Company	Acquisition	Store locations
Hook-SupeRx	361 Brooks drug and H&BA stores	Northeastern U.S.	Oshawa Group	108 Boots Drug Stores	Ontario, Canada
Rite Aid	114 Peoples (Lane Drug) stores; 49 Begley drug stores; 11 Revco stores	Ohio, Indiana Kentucky Florida	Taylor Drug	15 Otto drug stores	Kentucky
Thrifty Corp.	110 Pay 'n Save and 37 Bi-Mart stores	Washington, Oregon, Alaska, Hawaii, California	Cullum management	Leveraged buyout of Tom Thumb/ Page	Texas
SupeRx Corp. of Arizona	90 Medicare-Glaser stores; Three Walgreens stores; Five Kroger Florida Choice	St. Louis, Connecticut Alabama Florida	Malone & Hyde management	Leveraged buyout of Super D	Tennessee

Source: *Drug Store News* research

Major takeovers mark 1988's merger activity

The past year has seen a furious spate of buyout activity in the chain drug industry, and the end of some big names like Brooks Drug, Begley, and Boots Drug Stores. Those logos are now history.

Some of the oldest and best-known names in the business changed hands in 1988 and early 1989. Among them: Begley Corp., which went to aggressive Rite Aid; Medicare-Glaser, bought earlier this year by SupeRx Corp.; Boots, which sold itself off in two stages last year after failing to ignite in eastern and western Canada; and Otto Drugs, a 20-year-old chain in Kentucky which went to former rival Taylor Drug Stores.

Some of the biggest takeovers pushed the acquiring chains into completely new markets. The purchase of Brooks put Hook-SupeRx, Inc. into the Northeast, and SupeRx of Arizona's acquisition of Medicare-Glaser gave the fledgling chain a Midwestern base for expansion and a toehold in New England.

West Coast drug retailing saw a major consolidation with the sale of troubled Pay 'n Save and Bi-Mart to Thrifty Corp. The deal gave Thrifty the potential for big market gains in the Northwest and an entry into the Hawaiian and Alaskan markets, and ended Pay 'n Save's short, troubled history as an independent retailer following its acquisition and spin-off by The Trump Group.

Thrifty immediately announced a series of steps to boost productivity in the newly acquired units, but said it will keep the Pay 'n Save and Bi-Mart logos.

Peoples store shift

Another major shift in ownership in recent months has been Peoples Drug Stores' decision to sell its 325 stores in Georgia, Ohio and Indiana. In Georgia, the 85-unit Reed Drug division went quickly to Big B, giving the Alabama-based chain a major presence in Atlanta for the first time.

Rite Aid, meanwhile, agreed to buy 114 of Peoples' Lane Drug Co. stores in Ohio and Indiana. The takeover boosts Rite Aid's store count to nearly 2,300, and makes it the top drug retailer in markets like Toledo and Canton, Ohio.

At least two drug chains were taken private in management-led leveraged buyouts in 1988: Cullum Cos.' Tom Thumb/Page combo stores and Page Drug stores; and Malone & Hyde's Super D chain, which went to a management-led investment team after Fleming bought the parent company.

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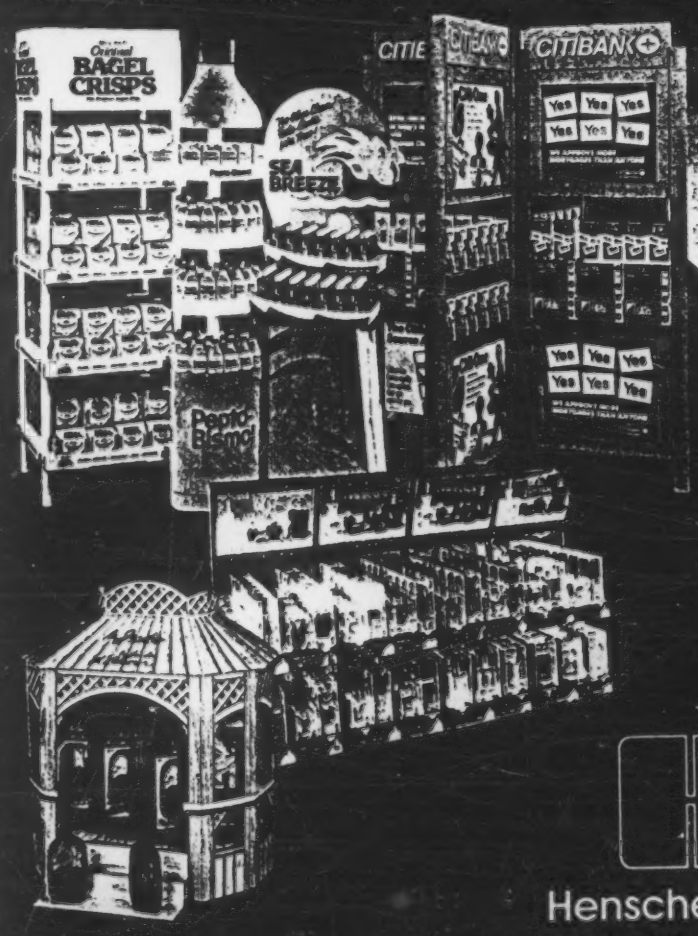

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Store designs emphasize color, convenience

Drug chains improving prototypes and refining product mixes

The creative side of drug store retailing was very much alive in the past year: it showed up in an array of new store formats that emphasized the return to basic drug store categories with color and flair.

Chains around the country continue to develop and improve store prototypes as they pare back on non-drug general merchandise and refine product mixes. Most are basing new store designs at least partly on improved, computer-aided information systems that track product movement and aid in more productive planogramming and better customer traffic flow.

Along with designing a new format around the optimum mix of merchandise, the watchword now is on color. Color is being used to stimulate and please consumers; to give stores a uniform look; and to make shopping easier by setting individual departments apart with their own distinct, ensemble look.

The creative use of color thematics—often accompanied by dramatic neon department signing—is evident in new store designs by Perry, Longs, Fantle's, Pay Less and others.

Deep discounters are paying better attention to the merchandising appeal of their formats, as this overhead of Drug Emporium service cosmetics department shows.

Many drug chains have overhauled their basic store prototypes for the 1990s, and are busy retrofitting the new design chainwide. One of the most dramatic examples is Fantle's, the upscale prototype unveiled by Dart Drug Stores (the entire chain has since been renamed Fantle's) late last year.

Fantle's eschews Dart's old low-price strategy in favor of a convenient, quality image and an unusually broad product mix. The new design will serve as the basis for a chainwide renovation and logo change at Fantle's as fast as the chain's cash flow allows.

Perry and Pay Less NW have unveiled formats that depart radically from the chain's basic prototype, and Revco will soon open its first completely redesigned store in Ohio.

Along with designing a new format around the optimum mix of merchandise, the watchword now is on color.

American Stores recently opened a new Jewel Osco combo store format in Florida, and Longs is flying high with its first Longs Pharmacy, a smaller, experimental design which opened last year in downtown San Diego.

In all cases, color and dramatic departmental signing play an important role. The cosmetics departments in most new formats have also been transformed into a centerpiece of the stores' interiors.

Drug chains are also facing new store designs from competitors outside their own ranks. Hypermarket retailers are beginning to make inroads around the country, and several debuted in the past year. Among them: K mart and Bruno's first joint-venture American Fare store outside Atlanta; the first Auchan hypermarket in Houston; and the first Super Valu hypermart in suburban Cleveland.

Definitions of Formats

Bantams (such as Rite Aid, CVS):
- 4,000-7,000 square feet
- Primarily Rx/H&BA
- Limited assortments
- Convenience draw
- Higher margins

Conventionals (such as Walgreens, Osco, Peoples):
- 8,500-15,000 square feet
- Full H&BA and cosmetics assortments
- Selected general merchandise

Superstores (such as Longs, Thrifty, Pay Less NW):
- 20,000+ square feet
- Full H&BA, OTC and cosmetics
- Broad general merchandise assortment
- Limited food

Deep discount stores (such as Drug Emporium, F&M, Phar-Mor):
- 15,000-30,000 square feet
- Strong price image, low margins
- Assortment based on deal availability
- Buying/warehousing at store level
- High dollar volume—over 4 percent of total industry sales

Combos (such as Kroger Food and Drugs, Tom Thumb-Page, Jewel-Osco):
- 35,000+ square feet
- Full H&BA, cosmetics, Rx depts. account for one-third of sales, two-thirds of profits
- Complete grocery section
- Broad general merchandise assortment

High-volume independents:
- More than $1 million annual volume
- Sixty percent of total volume in H&BA/OTC
- Limited general merchandise assortment

Retail diversification

Company	Store type	Number of stores 1988	1989
Harco	Auto parts	24	29
Medic Discount	Home health	1	1
May's	Deep discount	4	5
Walgreens	Home health Restaurants	4 5	4 0
Jean Coutu	Deep discount	3	5
Eckerd	Eye care superstores	10	13
Medi-Save	Optical	3	4
Douglas	Optical	2	3
Fantle's (Dart)	Deep discount	5	5
Rix Dunnington	Deep discount	1	1
Thrifty•White	Card shops	2	2
Genovese	Deep discount Photo supplies	0 1	1 1
Big B	Home health Deep discount	5 7	5 11
Peoples	Home health Deep discount	2 8	2 8
Pay Less NW	Deep discount	8	0
Rite Aid	Deep discount Book stores Dry cleaning	28 40 0	40 47 152
Fay's	Auto parts Stationery	14 12	16 14
Snyder's	Deep discount Drug store w/o Rx	1 1	1 1
Thrift	Home health	4	5
Shoppers Drug Mart	Deep discount Convenience foods Home health	12 16 15	9 24 17

Source: *Drug Store News* 1989 Chain Drug Survey

Annual Report Part I: Store formats

Pharmacy at deep discounters

(Ranked by no. of Rx depts.)

Company	No. of stores	Stores with Rx No.	Stores with Rx %	Computerized depts. No.	Computerized depts. %
Drug Emporium*	69	69	100%	69	100%
Phar-Mor	114	57E	50	N.A.	N.A.
Drug Palace	40	40	100	40	100
F&M	66	32	48	32	100
Freddy's	18	18	100	N.A.	N.A.
Dot	14	14	100	N.A.	N.A.
A.L. Price	14	14	100	14	100
Rockbottom	26	13	50	0	—
Drug World	9	9	100	9	100
Drug Castle	10	9	90	9	100
Bud's	9	8	89	7	88
Rx Place	8	8	100	8	100
Sid's	7	7	100	7	100
Maxidrug	5	5	100	5	100
Price Less	2	2	100	2	100
Ike's	3	1	33	N.A.	N.A.
Cost Cutters	10	1E	10	N.A.	N.A.
Great American	1	1	100	1	100

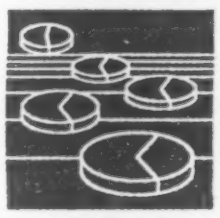
E = estimate
*Company-operated stores
Source: *Drug Store News* 1989 Chain Drug Survey

Top deep discounters

Company (parent company)	Headquarters	Sales (millions)	% change	Stores	% change
1. Drug Emporium	Worthington, OH	880E	10%	170	24%
2. Phar-Mor	Youngstown, OH	752E	52	114	43
3. F&M	Warren, MI	402E	22	66	27
4. Pic N' Save (Nat'l Merchandise Co.)	Jacksonville, FL	265E	6	41	0
5. Rockbottom	Port Washington, NY	200E	32	26	4
6. Marc's	Middleburg, OH	197E	8	15	25
7. Freddy's (Melville)	Woonsocket, RI	130E	37	18	29
8. Drug Palace (Rite Aid)	Shirem[illegible]anstown, PA	78E	59	40	43
9. Dot (Wal-Mart)	Bentonville, AR	70E	20	14	17
10. A.L. Price (Perry)	Pontiac, MI	49E	36	14	40
11. Rx Place (Woolworth)	New York, NY	46E	5	8	0
12. Cost Cutters (Community Distributors)	Somerville, NJ	42E	8	10	11
13. Drug Castle (Brown)	Springfield, OH	41E	8	10	25
14. Howie's (Shoppers Drug Mart)[1]	Toronto	38E	N.A.	9	– 25
15. Drug World (SupeRx)	Cincinnati	32E	– 20	9	– 25
16. Bud's (Peoples)[2]	Alexandria, VA	30E	4	9	0
17. Sid's[3]	Hudson, OH	28E	64	7	250
18. Joel & Jerry's	Largo, FL	24E	10	6	0
19. Total Plus (Fantle's)	Landover, MD	18E	6	5	0
20. Cecille's	Detroit	16E	4	1	0
21. Maxidrug (Coutu)	W. Springfield, MA	15E	50	5	67
22. Ike's (SuperD Drugs Inc.)	Memphis	13E	19	3	– 25
23. Price Less	Sacramento, CA	12E	50	2	100
24. Great American (Genovese)[4]	Melville, NY	1	—	1	—

E = Estimated
[1]Reformatted to Shoppers Drug Mart stores in 1989
[2]All units sold or reformatted into Peoples in 1989
[3]Formerly known as Jax
[4]Opened late October 1988
Source: *Drug Store News* Chain Drug Survey

Deep discounters extend market gains; drug chains counter w/price message



The deep discount boom rolls on. The nation's off-price drug store powerhouses made major market advances over the past year, and a slew of smaller competitors, including some new operators, kept things hopping with new stores around the United States.

Despite razor-thin gross margins as low as 16 percent and heavy start-up and inventory costs, the deep discounters that have made it are thriving.

The growth of deep discounting is also feeding into itself, as consumers in more and more cities become familiar with the concept and eager to take advantage of the price-cutting.

Drug chains have responded to the new competition in a variety of ways—including both marketwide "panic" price-cutting and selective discounting in a few nearby stores—but many have also adopted off-price tactics of their own without giving away the store.

Some of the nation's leading drug chains also remain committed to their own off-price drug store divisions, both as offensive and defensive retail weapons. Rite Aid's Drug Palace stores, Perry's 13 A.L. Price outlets, Jean Coutu's Maxidrug and Fantle's Total Plus division all represent ongoing chain drug commitments to the concept.

Some drug chains have backed away from deep discounting, however. Peoples is shedding its Bud's off-price stores; Shoppers Drug Mart is converting its nine remaining Howie's deep-discount stores to the Shoppers format; Imasco has sold six Pharmaprix Carnevale once operated by Shoppers; Wal-Mart has walked away from its Dot off-price experiment; and Pay Less has converted its Wonder World stores to its traditional drug store format.

Among deep discounters, the Big Three—Drug Emporium, Phar-Mor and F&M Distributors—have been the most successful at penetrating new markets and reaching that critical mass necessary for self-sustaining growth and profitability.

Mass merchandisers with pharmacies

Company	Headquarters	Stores	No. of Rx depts.
K mart	Troy, MI	2,149	1,080
Wal-Mart	Bentonville, AR	1,279	765
Fred Meyer	Portland, OR	112	96
ShopKo	Green Bay, WI	87	84
Pamida	Omaha, NE	168	35
Target	Minneapolis, MN	379	21
Venture	St. Ann, MO	73	12
Fedco	Santa Fe Springs, CA	9	9

Source: *Drug Store News* Chain Drug Survey

Drug Emporium, now up to 170 corporate and franchised stores, is again moving in the West, with its first new unit in the Los Angeles market in three years and plans for many more. The chain bought out the original West Coast franchise after its growth in that market stalled at five stores, and its future impact there could be much more dramatic.

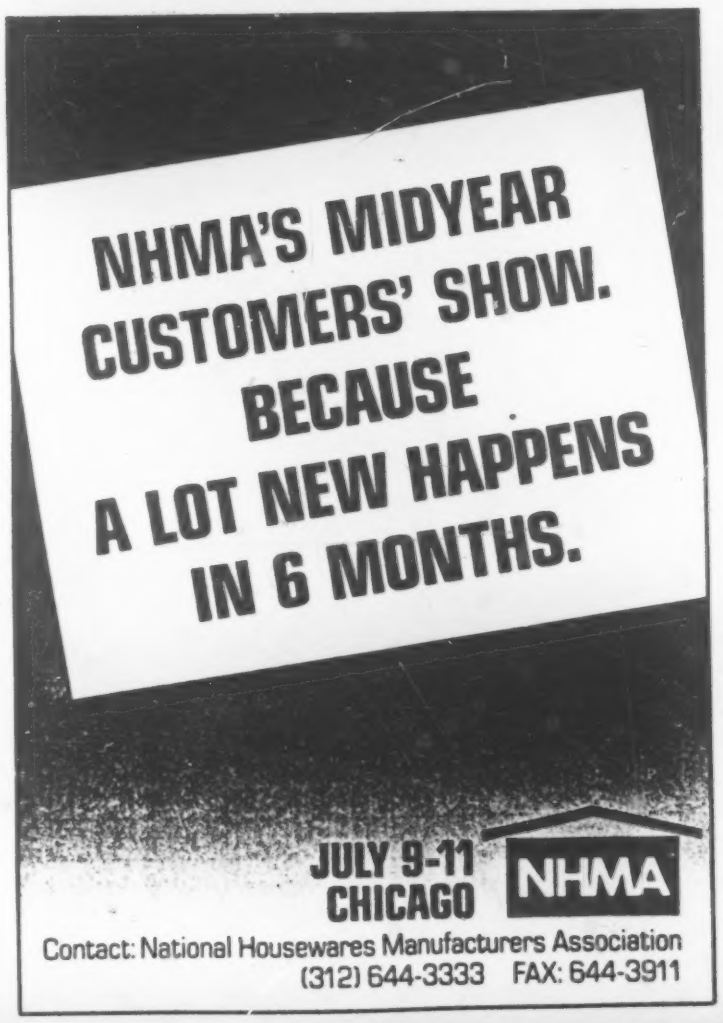
The nation's leading off-price chain also entered new markets in 1988, including Little Rock, Ark., and it is eyeing the Northeast.

Phar-Mor, meanwhile, continues its blistering growth pace, with 123 units now online and some 40 more planned for this year. Over the past year, the chain entered new states including Texas, Colorado and Wisconsin, and shored up its strength in Florida, Chicago and many other markets.

F&M, meanwhile, boosted its strength in markets like Chicago, Detroit and Milwaukee, and pushed aggressively into the Washington, D.C. market through a series of rapid acquisitions.

Freddy's, the off-price division of CVS parent company Melville Corp., also made new inroads last year. The chain entered Virginia's Tidewater area through the purchase of three former Pathmark Super Drug stores from F&M, and is adding new units in Florida and upstate New York.

Smaller off-price retailers have also been active. Jean Coutu beefed up its Maxidrug chain in New England, and George Jeffers, who brought deep-discount drug store retailing to northern California, added a second Price-Less store in suburban Sacramento, Calif.



Annual Report Part I: Store formats

Combos booming amidst super indy mergers

The furious merger and buyout activity in the supermarket industry hasn't slowed the growth of pharmacy and H&BA sales in the nation's combo stores. For that matter, it hasn't put the brakes on the rapid pace of new combo store openings around the country either.

Some 25 years after the first pioneering efforts to merge food stores and drug stores under the same roof, food-/drug combos have become the preferred growth vehicle for almost all the nation's food chains. Combos offer powerful inducements for one-stop shopping, thus building higher sales per customer; just as important, with their larger size and pharmacy anchor they offer supermarket retailers the chance to boost profitability with larger selections of high-margin H&BAs.

"What we're seeing is a merger of the drug store into the food store," said a supermarket industry research executive recently. "The food industry has become very aggressive in promoting pharmacy."

At powerhouse Albertsons combos, left wall cosmetics display helps anchor general merchandise side of store and lure female shoppers.

Many of the nation's biggest food chains now include pharmacies and large drug store sections in new stores as a matter of course, and prototype store designs continue to go up in size to accommodate the sections. One example of the larger-is-better trend is American Stores, which has begun opening 75,000-square-foot Jewel Osco stores in Florida; and Ralphs Grocery, which is downsizing its 70,000-square-foot Giant prototype only so it can add full-sized Thrifty drug stores to the interiors.

Food retailers are also constantly refining their combo formats, and their efforts to make them powerful retail weapons have evidently borne a lot of fruit. According to a recent study by Towne-Oller Associates, the nation's 3,700 combo stores chewed up 13 percent of the U.S. retail prescription drug market last year. And on a one-on-one basis, the research firm noted, combos do far better than chain and independent drug stores in sales of prescriptions and H&BAs.

For the supermarket industry, however, the past year has been one of frenzied consolidation and reorganization.

In the West, American Stores paid $2.5 billion to acquire one of its toughest competitors, Lucky Stores, and then waged an extended court battle to prevent the California state attorney general from undoing the merger. In March, a federal appeals court removed a major roadblock in the way of the merger, long after American Stores began welding Lucky and Alpha Beta into a single, powerful West Coast food and combo store retailer.

In the same state, Vons brought 162 former Safeway stores in southern California under its corporate wing last summer and fall, turning most of them into Vons stores and a few into its upscale Pavilions and Pavilions Place formats.

Two other former Safeway divisions agreed to merge early this year, creating a grocery and combo store chain of 154 units in Oklahoma and Arkansas. Among those stores: 50 units with pharmacies. And in Houston, Safeway's 99-store Houston division was sold to a management-led group last June.

Also in the Southwest, Dallas-based Cullum Companies launched a management-led leveraged buyout, kicked off its Rainbow store format aimed at Hispanic consumers, and backed away from its joint hypermarket venture with Wal-Mart Stores.

In another joint hypermarket venture, Birmingham, Ala.-based Bruno's and K mart opened their first American Fare outside Atlanta early this year.

In Florida meanwhile, Kroger sold its 43-store Florida Choice division to help finance its debt-laden restructuring last year. The state also saw the sale of Lucky's 95-store Kash n' Karry division to a management-led team following the merger with American Stores.

The Midwest saw a spate of buyout activity, with the sale of Big Bear to Penn Traffic Co. in Ohio; the takeover of Farmer Jack's by A&P in Detroit; and the purchase of Fazio's in Cleveland by Riser Foods, parent company of Carls Food and Drug Centers.

Massachussetts combo retailing also got into gear last year, following the removal of legal barriers in that state. Stop & Shop, Purity Supreme and Star Markets are all opening food/drug stores following the change in law.

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Les Cassis
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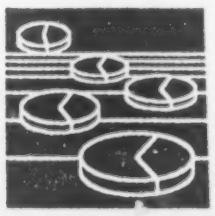
Commerce Foods, Inc.

Supermarket chains with pharmacies

Company	Headquarters	Total stores	No. of stores with Rx departments	% of stores with Rx departments
Kroger	Cincinnati	933	466	50
Safeway	Oakland, CA	1,144	300	26
Albertson's	Boise, ID	501	224	45
American Stores	Salt Lake City	1,394	150	11
Supermarkets Gen'l	Woodbridge, NJ	142	131	92
H.E. Butt	Corpus Christi, TX	155	107	69
Giant Food	Landover, MD	146	96	66
Smith's Management	Salt Lake City	96	89	93
Shop Rite, Wakefern	Elizabeth, NJ	174	84	48
Vons	El Monte, CA	342	83	24
Lucky Stores	Dublin, CA	351	80	23
A&P Supermarkets	Montvale, NJ	1,200	70	6
Furr's	Lubbock, TX	144	64	44
Raley's	Sacramento, CA	53	52	98
Tom Thumb Page	Dallas, TX	73	43	59
Grand Union	Elmwood Park, NJ	304	37	12
Farm Fresh	Norfolk, VA	59	36	61
Randall's	Houston, TX	39	35	90
Wegman's	Rochester, NY	40	32	80
Stop & Shop	Quincy, MA	116	30	26
Smitty's Super Val	Phoenix	24	24	100
Consumers Markets	Springfield, MO	37	23	62
Bruno's	Birmingham, AL	220	16	9
Erickson Food & Valu Drug	Hudson, WI	14	14	100
Dahl's Food Markets	Des Moines, IA	13	13	100
Carr's Quality Centers	Anchorage, AK	13	13	100
Foodway	Fayette, AL	32	10	31
Sack 'n Save (Minyard's)	Coppel, TX	12	7	58
Dierbergs Markets	Chesterfield, MO	12	7	58
Randall Foods	Mitchell, SD	27	4	15

Source: *Drug Store News* 1988 Chain Drug Survey

Scanning and electronic interchange mark new age



Drug chains are beginning to apply computers to new areas of their businesses.

Many are pursuing the promise that electronic automation holds to make operations more efficient. To most, this means point-of-sale (POS) cash register systems and pharmacy computers.

Other retailers are moving beyond to new generations of machines for new applications. One of the most important trends is in networking and data communications. More operators are moving information electronically among stores, between stores and headquarters, between stores and chain warehouses, and between warehouses and product vendors.

In the pharmacy, new software applications are helping pharmacists to service customers and better manage third-party business.

At Great American, SASI scanners provide frequent reports on sales, average sale, item movement, gross profit and traffic.

Chains use pharmacy computers to maintain patient profiles, warn of drug interactions and better enable pharmacists to consult.

Scanning explodes on scene

At the front-of-the-store checkout, more chains are using scanners. Chains including Revco, Osco, Rite Aid, Eckerd, Pay Less NW, Thrift, Peoples, and Fay's put their full weights behind rollouts of scanning systems. They either bought new POS machines with scanning abilities, or plugged into their existing base of electronic cash registers.

Scanning chains can skip the laborious task of price tagging merchandise, a major savings. At the front-end, scanning adds speed and accuracy to checkouts and gives running inventory. It also enables checkout clerks to be more responsive to customers because the process is easier.

Automated price and item capture provide clear benefits by allowing chains to more closely tie store inventory to sales rates, and better track merchandise flow. Automated daily or even hourly, balancing of accounts also yielded gross profit information, providing a more exact read on profits.

Thrifty Drug showed an aggressive commitment to POS. By year's end, it completed POS installations in 385 of its 655 stores, and launched laser scanning tests in 12 stores. The stores will be on-line with headquarters, giving greater central control. Thrifty plans to use a satellite system to communicate between headquarters and stores.

Walgreens watchers saw one of the industry's broadest—and potentially most integrated—technology rollouts. POS systems with scanning began in Walgreens' Ft. Wayne, Ind. stores, and spread to Chicago, as the store-level side of Walgreens automation plan developed.

Walgreens had 25 stores installed by March. Stores will be on-line to Walgreens' warehouses, each of which will have an IBM mid-range computer dedicated to inventory control and billing. (Store orders now are sent to headquarters and parceled out among the warehouses in batch form).

Store replenishment can more accurately be tied to sales, as data is captured electronically at the checkout, and the order cycle is sped through on-line communications.

Not all POS systems are as advanced as Walgreens', but they still provided new efficiency levels for chains.

Drug Emporium rolled out a home-grown system in about five stores that ties checkouts' small NCR electronic cash registers with a PC in the manager's office. The network promotes tighter cash control by preventing the reading of the registers at shifts' end until cashiers have made their cash account declarations.

Walgreens' warehouse computers weren't slated to talk only with its stores. They'll be handling orders and billing with the chains' vendors.

EDI takes a bow

These vendor transactions will increasingly be through electronic data interchange (EDI). EDI should provide the same advantages of tight inventory control and smooth ordering that Walgreens plans to gain from on-line communication between the store and warehouse.

Revco and Eckerd were among chains which were planning EDI programs with major vendors. Chains were following the drug wholesale industry, which has reduced its inventory carrying costs and shortened the payment float through electronic partnerships with their suppliers.

(Many chains continue to favor hand-held portable data collection devices for inventory taking and ordering to the warehouse in a batch mode).

Chains' front-of-store systems aren't only talking with the warehouses. More chains are seeking to integrate the POS side with the pharmacy to make it more efficient for headquarters to collect and send data between stores.

Fay's Drug began such an integration using a software module developed by Honeywell to link Fay's Honeywell computer-based pharmacy system with NCR cash registers at the checkouts.

Pharmacy systems were upgraded for other reasons.

Osco completed a $16 million chainwide installation of a

Continued on page 96

Drug chains with scanning

(Ranked by percentage of stores equipped)

Company	No. of stores	No. with scanning	% with scanning
F&M	66	66	100.0%
Pay Less NW	269	132	49.1
Big B	204	100	49.0
Thrift	440	140	31.8
Rite Aid	2,171	614	28.3
Osco	658	172	26.1
Peoples	807	108	13.4
Kinney	30	4	13.3
Genovese	90	7	7.8
Thrifty	806	30	3.7
Revco	1,882	70	3.7
Fay's	153	3	2.0
Shoppers DM	612	7	1.1
CVS	752	7	0.9
Walgreens	1,416	12	0.8
Longs	236	2	0.8
Snyder's	62	1	1.6

Source: *Drug Store News* 1989 Chain Drug Survey

Pharmacy computers in chain drug stores

Company	No. of Rx depts.	No. with pharmacy computers	% with pharmacy computers
Rite Aid	2,080	2,080	100%
Revco	1,855	1,775	96
Eckerd	1,580	1,580	100
Walgreens	1,362	1,362	100
Thrifty	802	802	100
Osco	654	635	97
CVS	545	545	100
Medicine Shoppe	755	529	70
Peoples	800	500	63
Thrift	439	424	97
Shoppers Drug Mart	612	400	65
Pay Less NW	261	261	100
Longs	236	236	100
Big B	203	203	100
Fay's	153	153	100
K&B	149	149	100
Jean Coutu	139	139	100
Genovese	90	90	100
Kerr	86	86	100
Arbor	80	80	100
Harco	77	77	100
Drug Emporium	69	69	100
Medi-Save	89	66	74
Snyder's	61	61	100
Taylor	56	56	100
Thrifty•White	53	53	100
Standard	46	46	100
Wellby	36	36	100
F&M	32	32	100
Duane Reade	32	32	100
Bartell	31	31	100
Kinney	30	30	100
Thayer Pharmacies	30	30	100
Rix Dunnington	32	29	91
Discount Drug Mart	26	26	100
May's	26	26	100
Bill's	25	25	100
Medic Discount Drugs	20	20	100
Snyder Brothers	20	20	100
Douglas	15	15	100
Austin	9	9	100
Drug Castle	9	9	100

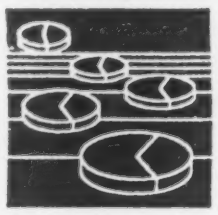
Source: *Drug Store News* 1989 Chain Drug Survey

Annual Report Part I: Uses of Technology

Scanning systems by Symbol Technologies and Spectra Physics are among systems being tested in this Chicago Walgreens. Walgreens launched a planned chainwide rollout of automated POS systems in Ft. Wayne, Ind. and Chicago.

MIS chiefs need support from senior management

By William P. Seltzer



The senior vice president of distribution's frustration level was at a new high. He had just completed a meeting with Hiram Bytes, the director of management information systems (MIS), who had gotten back to him on his five seemingly small, but critically necessary, systems projects. One had been estimated to take 22 man-days, another 40, and the largest and most important, 219.5 man-days.

Bytes had explained that each of his requests would be presented to the MIS steering committee in two weeks to evaluate priorities. Then the projects would be placed on the schedule. Of course, if distribution wanted to push back some of its previously established priorities, MIS could get started sooner ....

Sound familiar?

What is it about MIS? Everything seems to take so long. There are all those bureaucratic steering committees. . . sign off procedures . . . and man-days . . . not to mention their jargon. And they always say, "If we could add programmers, we could get it done sooner."

In too many cases, MIS promises have turned to disappointment, anger, and finally to apathy on the part of those who depend on them.

Does it have to be this way? Is it this way in every company? The answer to both questions is "no."

There are four important factors in establishing a top-notch systems function:

- business leadership
- quality of people
- management commitment, and
- process.

In this article I'll discuss the first three of these factors. The fourth, process, is too complicated to be dealt with in this space.

William P. Seltzer is senior vp-MIS at Revco D.S. Inc. Previously he was executive vp and chief operations officer of World Wide Chain Store Systems, a software designer, and vp-MIS at H. E. Butt, Inc., the Texas retail chain.

Business leadership

Retail drug chains must learn to demand the same quality of business leadership in senior systems executives as is expected in store operations, marketing, and other functional areas. MIS executives must have the same sense of urgency and the same broad business perspective. *Too often, MIS executives fail on both counts.*

Retailing is a fast business. Marketing, store operations and distribution need the ability to act and react quickly. They need systems to be developed equally as fast. Many times, the systems developed are too complicated to support rapidly changing business requirements. Simplicity can be the key to adaptability.

It's also important that systems executives understand *all aspects* of the business . . . how batch refill helps distribution. . . how promotional counting impacts stores . . . how forward buying affects gross profit and what it does to warehouses. It's only those with a deep knowledge of retail and all aspects of their specific companies who can design and implement systems which truly give total solutions.

Quality of people

The quality of the systems staff is equally important. I recently received a questionnaire from the business department of a large university. One of the questions was: "What causes things to go wrong in systems?" My answer was that—too often—systems organizations hire business majors instead of liberal arts graduates.

Students study business to gain employment. But they study mathematics, philosophy, English and history to gain an education.

Many business schools teach one particular topic. . . and then another particular topic . . . and then another—stressing mastery of facts and techniques instead of *independent critical thinking*. A belief is somehow instilled that the best solution to every problem can be deduced with the aid of a computer. In fact, two of my most successful projects rejected computer solutions.

Technology is wonderful and it does many things for us. Retailers must understand it to stay at the front of the pack. But doing systems is doing business. It requires people who paint in broad strokes. It requires the ability to learn and to think analytically. Programmers, the most important people in systems, need agile minds.

Too many systems organizations don't understand this.

Management commitment

The third most important element to an effective systems organization is management commitment from the top. In many ways, this can be the toughest issue to resolve as it depends upon an organization and the people within it.

In general, systems steering committees will not work unless they are comprised of an organization's senior management. Only at that level can a business vision be translated into a systems vision. Steering committees made up of middle manager specialists let themselves get bogged down in man-day analyses, priorities, and too much detail—which systems specialists are only too happy to lead them through.

And senior management review—if it's only done once or twice a year—isn't enough. After all, retail is never business as usual. Hiram Bytes will be waiting to give his systems presentation and the secretary will call to explain that he needs to cut his two-hour presentation to one hour because of a wildcat strike in the Southeast. . . and by the way, could he talk through lunch because a consumer activist group is in the lobby demanding to see top management? . . .

Systems projects are as critical to today's drug chain as marketing programs, store operations strategies and distribution philosophies. They require senior managment review, understanding, sense of urgency and pressure to get implemented. Ultimately, it's the vision and support of this group which creates the right systems organization.

Tomorrow's most successful retailers will be those who understand this today.

Top warehousing drug chains

(Ranked by 1989 distribution center square feet)

Company	1988 No. of DCs	1988 Total sq. ft.	1989 No. of DCs	1989 Total sq. ft.
Revco	9	2,800,000	8	2,500,000
Walgreens	7	2,378,000	7	2,378,000
Eckerd	7	2,050,000	6	1,860,000
Thrifty	3	1,180,000	7	1,720,000
Peoples	7	1,600,000	7	1,600,000
Rite Aid	5	1,598,000	5	1,598,000
CVS	3	1,400,000	3	1,500,000
Osco	3	1,013,257	5	1,420,845
Hook-SupeRx Inc.*	3	1,110,000	3	1,110,000
Pay Less NW	2	1,000,000	2	1,000,000
Thrift	3	668,572	3	668,572
Fay's	2	640,000	2	640,000
Fantle's (Dart)	1	620,000	1	620,000
K&B	2	453,000	2	453,000
Snyder's	1	360,000	1	360,000
Genovese	1	155,000	1	265,000
Jean Coutu	1	250,000	1	250,000
Big B	1	240,000	1	240,000
Arbor	1	60,000	1	233,600
Longs	3	185,000	4	221,000
Rockbottom	1	200,000	1	200,000
Duane Reade	1	130,000	1	155,000
Harco	1	130,000	1	130,000
Kerr	1	128,000	1	128,000
Kinney	1	120,000	1	120,000
Medicine Shoppe	3	120,000	3	120,000
Standard	1	116,000	1	116,000
Taylor	1	80,000	2	100,000
Discount Drug Mart	1	95,000	1	95,000
F&M	1	77,000	1	77,000
Bill's	1	30,000	1	49,000
Thayer	1	37,500	1	37,500
Douglas	1	33,000	1	33,000
Bartell	1	32,000	1	32,000
May's	1	15,000	1	15,000
Medi-Save	1	15,000	1	15,000
Austin	1	13,000	1	13,000
Snyder Bros.	1	3,000	1	3,000

* Includes Hook's and Brooks distribution centers

Source: *Drug Store News* 1989 chain drug survey

Annual Report Part I: Uses of Technology

By providing info on demand, on-line systems help eliminate invalid third-party claims.

Scanning, electronic interchange

Continued from page 90

drug interaction screening system. Pharmacists can refer to a database of about 14,000 potential drug interactions.

Perry Drug rolled out a new pharmacy system it said would allow tighter control on inventory and make third-party billing more efficient.

Eckerd, meanwhile, hired a squad of programmers to begin writing applications for its next generation of pharmacy computers.

Thrift added power and memory to its pharmacy system to put PC-type applications such as spreadsheets in its pharmacists' hands. The upgraded functions comp! mented on-line transactio is possible with a central host.

Rite Aid and Revco planned to roll out in-house systems for on-line verification and adjudication of third-party claims.

The chains feel they can have more control over such issues as eligibility and billing parameters and allow pharmacists to handle claims faster by putting the stores on-line to headquarters' databases.

Pay 'n Save also announced the rollout completion of a $5.5 million pharmacy system upgrade using General Computer Corp. products. GCC's system was said to allow for "central handling" of third-party business, and includes a drug interaction package.

Other chains experimented with claims management terminals by such companies as G.C.C., Envoy and PCS that put their stores on-line with third-party processors such as Envoy and PCS.

Drug Emporium pharmacies will communicate with PCS for third-party claims through IMB RTs in which the modem and communications software is built in. The new pharmacy system was rolled into 70 Drug Emporium corporate stores, automating such functions as patient profiles and drug interactions.

Government gets involved

As if third-party claims management wasn't confusing enough, the federal government stepped into the picture when it said it planned to equip pharmacies nationwide with computers for qualifying patients and tracking expenditures on medicine in the Medicare drug program.

The plan raised many questions, including how such a system will co-exist with the systems chains are now installing.

In other areas:

- Eckerd was among chains emphasizing direct product profit analysis, made possible by computer automation.
- Rite Aid and CVS joined chains testing electronic article surveillance systems for controlling shrink.
- Pay Less NW launched an electronic funds transfer test. Consumers at checkout debit their accounts using automatic teller bank cards and special ID numbers.

The western chain—which has used a satellite network primarily for in-store radio—began broadcasting a once-a-month video magazine for training and informing store employees.

- Fay's began testing "image processing" in its accounts payable department. Invoices are digitized so they can be displayed in pictorial form on a CRT. It should make it easier to review and process the voluminous paperwork.
- Pay 'n Save employed a software application for labor scheduling of stores' associates, bookkeepers and receivers. It sought to better match work schedules with customer traffic flow.

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Walgreens, ever aggressive, vows to stay No. 1

DEERFIELD, Ill. — At Walgreen Co. annual meeting in January, president Fred Canning had a funny remark for shareholders. "Hey, I have nothing against our fine competitors," he said, "but the word is 'kill,' right?"

Canning's joke drew laughs, but it also underscored the intensely competitive approach that has made Walgreens the nation's most successful drug chain.

Benchmark of industry

By almost any standard, the chain remains the benchmark of the industry: sales last year of nearly $5 billion, profits of $129 million, an aggressive growth and renovation program, market leadership in many cities, and perhaps the industry's biggest commitment to retail technology.

The key to Walgreens' success, perhaps, has been the ongoing refusal of its top executives and managers to relax. Walgreens continued to break new ground in fiscal '88.

Last year, the company opened 88 new stores, did major $100,000-plus remodelings on 60 others, tested point-of-sale scanning, beefed up inventory management systems, cut merchandise levels in stores and warehouses, sold off its Wags restaurant division, and boosted pharmacy sales more than 20 percent for the seventh year in a row.

The chain also boosted share in 17 of its markets around the country, going from No. 2 to No. 1 in Ft. Lauderdale and Cincinnati, and moving from No. 3 to No. 2 in Denver, New Orleans, Nashville and San Antonio.

If anything, this year will be even busier for the chain. Walgreens has allocated $150 million in fiscal 1989—30 percent more than last year—for new and remodeled stores, new technology and other improvements.

100 new stores in '89

"We've scheduled 100 new stores to open in fiscal 1989, and intend to increase this number in subsequent years," said chairman and chief executive Charles Walgreen III. "As a matter of fact, our plan is to open a total of 600 new stores over the next five years, which would be 40 percent of our current store base.

"And that's not counting acquisitions, which we continue to aggressively pursue," Walgreen went on.

The chain will also step up its remodeling program this year, with 165 extensive remodels and 90 major pharmacy renovations.

A sizeable chunk of its capital outlay this year will also go toward major systems development, including point-of-sale scanning and SIMS, Walgreens' Strategic Inventory Management System.

Along those lines, Walgreens has begun the market-wide installation of front-end scanners in its more than 200 Chicago stores. They were being installed at the rate of three to four units a week beginning in March.

"That schedule will accelerate through the year and Chicago should be finished by December," said Canning. "We're pushing hard for chain-wide completion by 1991."

Canning added that scanning was "No. 1 on our technology list." Its main benefits, he said, would be improved inventory control, lower rates of out-of-stocks, faster and more accurate

Walgreens' SIMS project is also high on the priority list. The system's aim is lower inventory investments through higher turn rates and better control of forecasting, buying, warehousing and merchandising.

The first phase of SIMS will be established late this spring with the completion of a new electronic purchasing system for buyers, Walgreen said. That system will eventually be linked to other new systems in the distribution centers and stores installed over the next four years.

"By the early 1990s we expect to 'see' every piece of merchandise in our entire pipeline, from the time we order it until the time it's sold," the chairman said. "This ability to know where merchandise is at is the key to reducing inventory levels, reducing shrink, and delivering merchandise to our stores at the lowest possible cost."

Walgreens is also investing heavily in satellite communications, and now has antennas installed on the roofs of about 400 stores. The satellite system will connect virtually all stores, offices, distribution centers and photofinishing studios by 1990, according to the company.

When it does, the chain will use it to piggyback a host of messages and relays, including its Intercom nationwide pharmacy computer network, closed-circuit television, electronic mail and other communications. Said Walgreen, "We'll also have the ability to broadcast high-quality background music—perhaps interspersed with a few well-made commercials that promote some special products we're carrying."

Marketing shifts

Meanwhile, Walgreens is making some shifts in its marketing efforts. For one thing, it is gearing more of its advertising toward teens, with newer promotions for cosmetics, nail care, audio tapes, soft drinks and candy. In 1989, the company will spend more than 15 percent of its advertising budget on television and radio for the first time in its history.

Walgreens is also targeting the labor crunch as never before. Canning said recruiting and training store- and management-level people—especially from the shrinking base of young people—will be the company's toughest challenge going into the next decade.

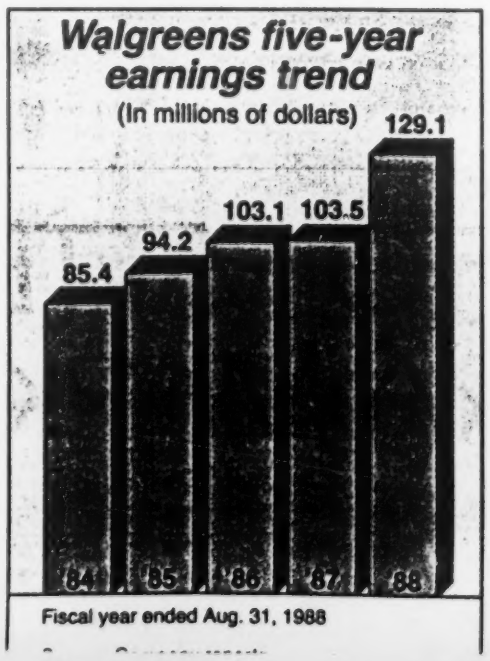
"Walgreens has two major advantages in hiring: financial stability and growth," Canning noted in January. "Since 1978 we've added 31 districts. That's a 76 percent growth rate just in district managers."

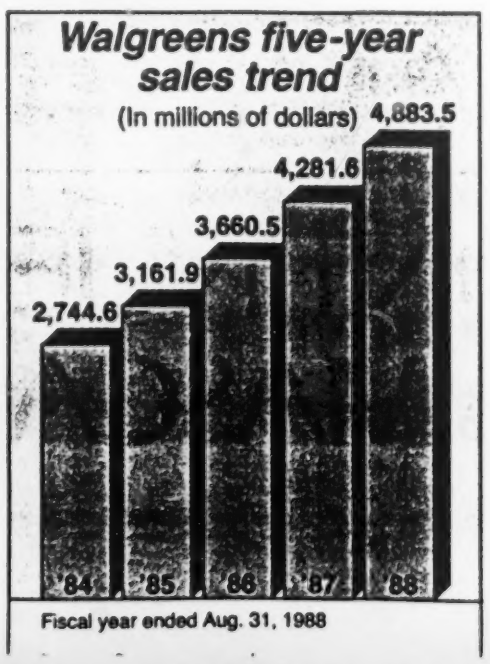
Walgreens increased share in 17 markets this past year.

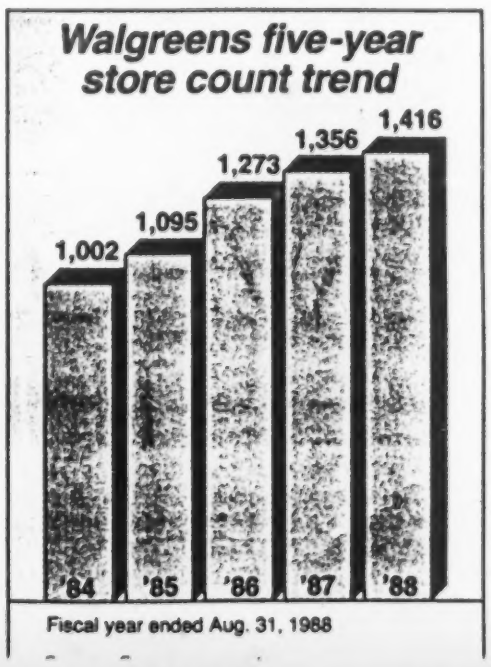
Walgreens at a glance

Name: **Walgreen Co.**
Headquarters: **Deerfield, Ill.**
Officers: **Charles R. Walgreen III,** chairman and ceo; **Fred Canning,** president and chief operating officer.
Sales: **$4.88 billion**
Store count: **1,444 as of March 31, 1989.**
Average store size: **9,500 square feet (selling).**
Market: **Midwest, Southeast, Southwest, California and Massachussetts.**
Highlights: **Hit $129 million in net earnings; extended SIMS inventory automation program; opened 88 new units; tested POS scanning; sold Wags restaurant division; former Medi Mart stores in Massachussetts contributed to profits.**

Charles Walgreen III (l.) and Fred Canning (r.) set aggressive tone at nation's leading drug chain.







Annual Report Part I: American Stores profile

Decentralization is keynote for American

IRVINE, Calif. — For American Stores, it has been a busy year. The huge retail conglomerate has pushed through some major operational and structural changes, fought to acquire Lucky Stores, returned to a dual marketing structure for its Osco and Sav-on drug store divisions, and re-entered the Florida market with a new, separate store division called Jewel Osco of Florida.

In a major management switch, American replaced Dick George and Scott Bergeson as president and chairman of Osco last September. In their places, the firm named Longs Drug Stores veteran Dick Scott and former executive vp Terry Hanson as chairman/chief executive and president of its drug store division, respectively. Osco and Sav-on now operate under the company's new American Drug Stores corporate umbrella.

The appointment of Scott last May—originally to head Osco's western store division, and later to head all Osco and Sav-on stores nationwide—signaled American's frustration with Osco's disappointing earnings performance since its acquisition in 1984 as part of the Jewel/Osco package. It also marked a shift in strategy for the 658-unit drug store group, away from efforts to consolidate all aspects of operations and merchandising nationwide.

Instead, the company shifted back to a more divisional approach. Although all major buying activities remain concentrated in Osco's eastern headquarters in Oak Brook, Ill., both eastern and western groups now have greater local autonomy.

In line with the change, American Drug Stores has begun restoring the Sav-on logo to its western drug stores, including some former Skaggs units. The chain has already begun replacing the old Osco signs in those stores, and is expected to complete the changeover in July.

The shift is both a recognition that some aspects of merchandising and operations cannot be fully consolidated, given the big differences in drug store retailing in the East and West; and perhaps a reflection of Scott's own management style, which emphasizes a more decentralized approach to decision-making than that of Dick George. Interestingly, Scott has remained based at American Drug Stores' western regional office in Anaheim, Calif., while Hanson works out of Oak Brook.

Scott moved quickly to beef up his management team, naming former Longs executive Dick Boyd as senior vp-pharmacy operations, and Dale Bystrom, another Longs veteran, as vp-merchandising.

Founder modifies duties

American Stores reached another milestone in January 1989, when company founder L.S. "Sam" Skaggs stepped down as chief executive to take a less active role at the age of 65. Skaggs, who remains board chairman, has been replaced as ceo by vice chairman Jonathan Scott.

Scott, who last served as chairman-ceo of the company's American Superstores division in the eastern U.S., was with the Albertson's supermarket chain in 1962 when he helped Skaggs develop some of the nation's first food/-drug combo stores.

Alan Stewart, former president and chief operations officer of American Superstores, was elevated to president and chief operations officer of American Stores at the same time.

Much of the company's effort over the past year has been focused on the attempted acquisition and consolidation of Lucky Stores. American agreed to purchase Lucky for $2.5 billion last June. It then promptly sold Lucky's 95-store Kash n' Karry chain in Florida, as well as its 38 stores in Arizona, to raise capital to help pay the debt incurred by the deal, and to concentrate on merging Lucky's 340-store operation in California with its own Alpha-Beta store division. The latter operates 252 supermarkets and combo stores in the state.

The consolidation of the two formerly competing chains was to have been completed last summer and fall. Citing antitrust considerations and the possibility of higher grocery prices for California consumers, however, state attorney general John Van de Kamp won a preliminary injunction blocking completion of the merger last September.

On appeal, the ruling was overturned a month ago, clearing away a major roadblock and effectively freeing American Stores to merge advertising, buying, distribution and other functions of the Lucky and Alpha Beta.

However, Van de Kamp may still sue to block the company from selling or buying stores, and he has indicated he will take the matter to a higher court to prevent what he says will be monopolistic conditions for California shoppers.

Meanwhile, on the other side of the country, American Stores broke new ground in March with the opening of a new combo store prototype in the Tampa Bay/Clearwater area. Five years in the making, the first new Jewel Osco superstore features a pharmacy and a broad merchandise mix in a 75,000-square-foot setting.

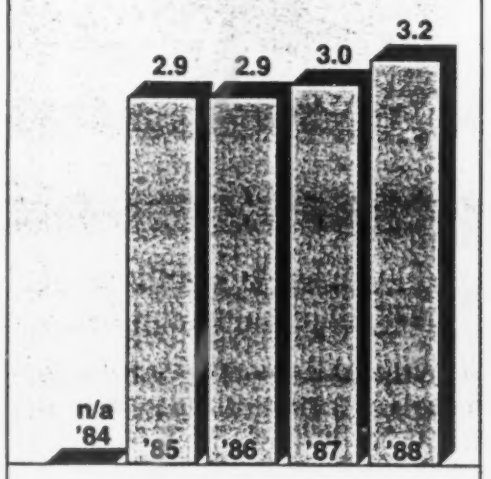
The store is the first of three or four that will open this year in Florida under the company's new Jewel Osco of Florida division. Mark Skaggs, who worked his way up through the ranks at American's Skaggs Alpha Beta group in Texas and is the son of Sam Skaggs, is president of the division.

American Drug Stores at a glance

Name: **American Drug Stores**
Operating divisions: **Osco Drug, Sav-on**
Headquarters: **Oak Brook, Ill.**
Officers: **Dick Scott,** chairman/ceo; **Terry Hanson,** president/chief operations officer.
Sales: **$3.2 billion**
Store count: **658**
Average store size: **21,376 square feet** (16,684 selling)
Market: **Nationwide**
Highlights: **Election of Scott and Hanson as top officers; return of Sav-on logo in western stores; management changes; 31.3 percent improvement in drug store operating earnings, to $148.3 million in fiscal '88.**

American Stores's sales trend

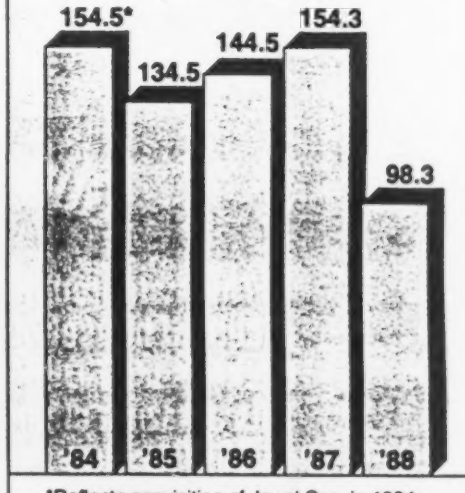
(Osco/Sav-on net sales, in billions of $)



Source: Company reports

American Stores's five-year income trend

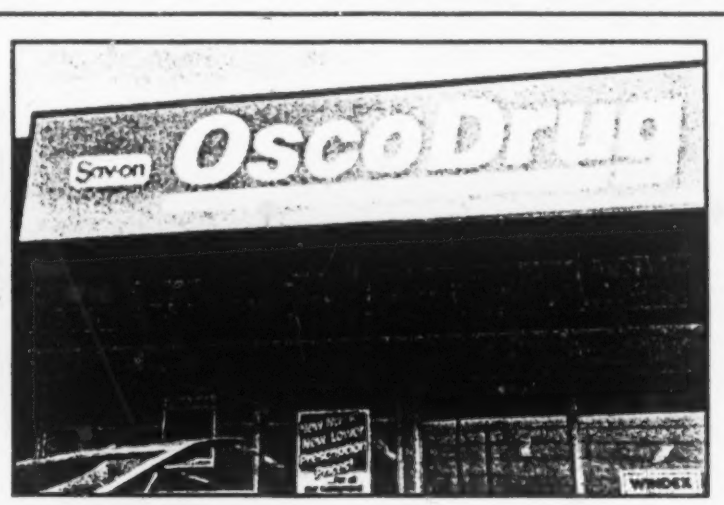
(In millions of $)



*Reflects acquisition of Jewel Cos. in 1984

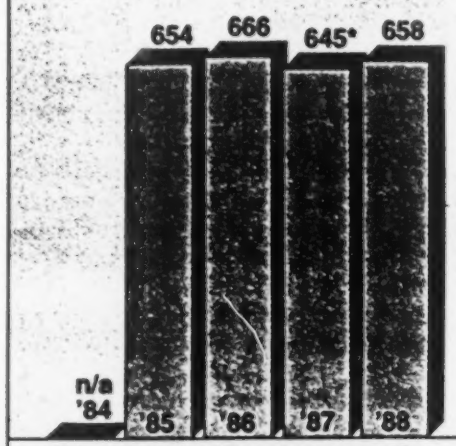
Source: Company reports

In a Chicago Osco, pharmacists speak foreign languages to communicate better with ethnic residents in the neighborhood, and gain their trust.



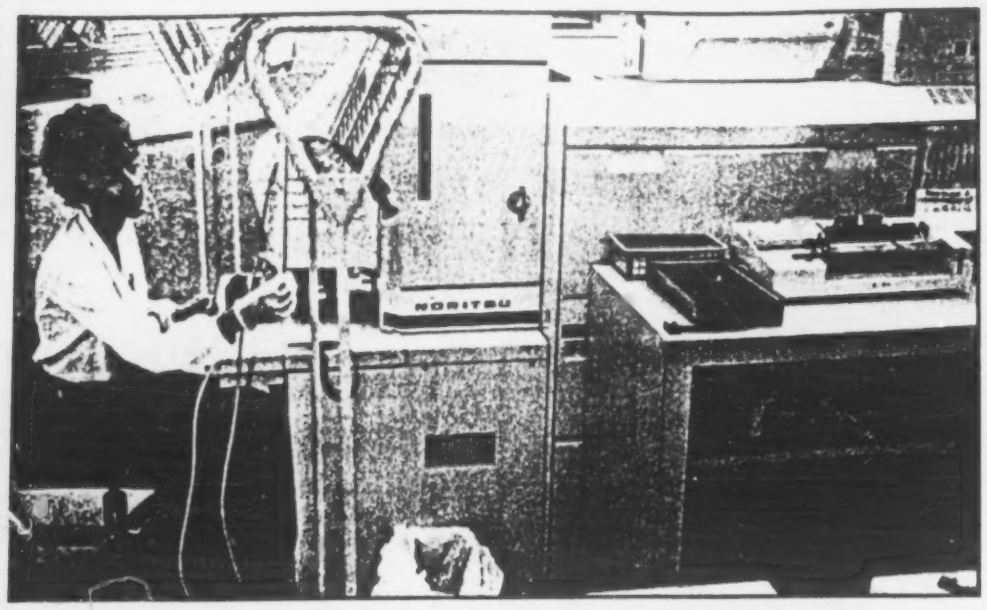
Recognizing the long-standing popularity of the Sav-on name, American decided to drop combo names like the above and give consumers back the familiar Sav-on name that they've known for years.

Osco/Sav-on store count trend

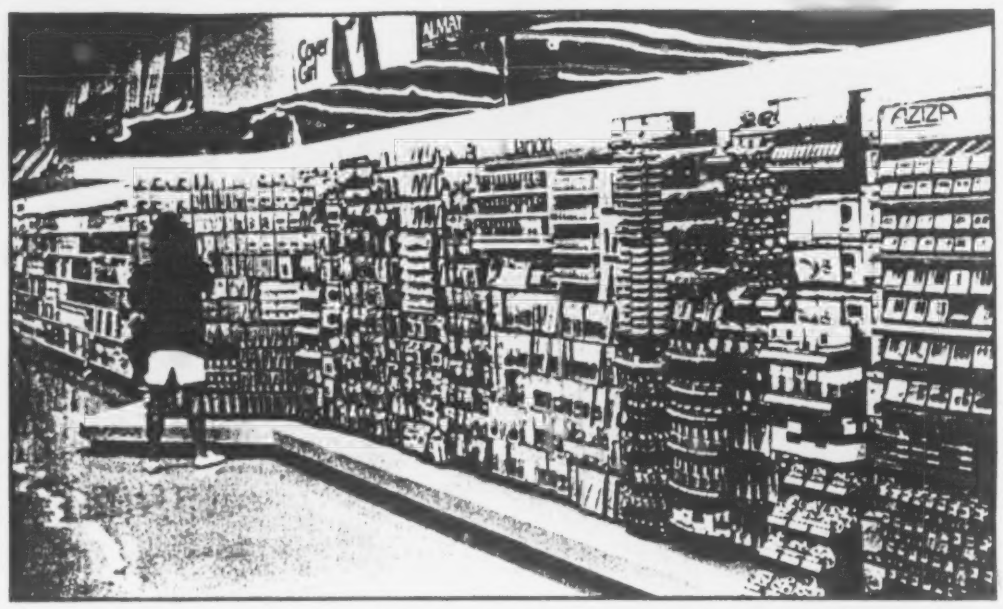


*Reflects sale of 24 Osco drug stores to Pay Less NW

Annual Report Part I: Eckerd profile



Eckerd's 25-year experience as a photo processor has enhanced its expansion in the one-hour photo business.



An open cosmetics department encourages self-service, but a cosmetician is also available.

Eckerd meets goals, builds on solid strengths

CLEARWATER, Fla. — Jack Eckerd Co. uncorked another year of solid performance in 1988, despite stepped-up competition in many of its key markets.

The chain posted a sales increase of more than 5 percent, to $2.9 billion, as management continued to emphasize core categories and service designed to attract new customers and build loyalty.

Profits also rose. For the year just ended, Eckerd's FIFO earnings before interest and taxes passed the $200 million mark for the first time, according to Stewart Turley, chairman and president.

By meeting its sales and profit goals, the chain was able to maintain its heavy investment in store remodels and technology, while accelerating repayment of the debt acquired in its 1986 leveraged buyout.

Turley said Eckerd has also been able hold its strong, veteran management team and to attract "better and better people to the company" because of the broad participation in ownership that was initiated at the time of the LBO.

The company has also broadened the participation of associates in the strategic planning area. According to Turley, management has gone out of its way to include all levels in its strategic task forces, from store level personnel to senior vps.

Summarizing, Turley said the company's success has come from many different areas, rather than "one bold stroke," and for that reason he believes Eckerd is "less vulnerable to pendulum swings" in the future.

These are some of the key areas in which Eckerd has moved vigorously in the past year:

- The company virtually doubled the number of one-hour Express Photo departments in its stores, going from 64 to 126 units. Photo is one of three key service departments, along with pharmacy and cosmetics. All three have been promoted heavily as the chain seeks to build customer loyalty in highly competitive retail markets.

Turley says Eckerd has been able to achieve success with the one-hour concept where others, including K mart, have withdrawn because the company has been in the film processing business for 25 years, and now maintains seven photo plants around the country. "The advantage of having the technological base within the company has made it easier for us to expand in the one-hour business," Turley noted.

- In the recent fiscal year, Eckerd expanded to 200 the number of POS installations. The stores that were added this past year enabled the company to begin developing regional models for item movement data, which in turn has allowed the chain's buyers and merchandisers to tailor the mix to different regional areas.

In addition, the chain has also stepped up its involvement in electronic data interchange (EDI) with suppliers. The goal is more timely inventory replenishment and faster turns, as well as a reduction in costly paperwork.

Eckerd is also refining its direct product profit models. The aim of DPP, which Eckerd got involved in two years ago, is to develop a more accurate system of measuring the profitability of individual products.

Eckerd is fully computerized in its pharmacy departments, but Turley said the chain has taken on a staff of some 30 technical people just to work on the next generation of pharmacy software.

- While Eckerd has used its investment resources to reinforce what Turley called the "infrastructure" of the company, it has been less active in store expansion. Store count remained flat at 1,580 units in 1988, as store openings and acquisitions matched closings. However, Turley said store growth is being stepped up, and the company expects to add 50 units in the coming year.

- In its markets, Eckerd has seen improvements in the Texas economy in the past year, while Louisiana—more dependent on oil-related industries—has remained economically stagnant, according to Turley. He said the chain will maintain its position in that state, however, given the cyclical nature of market economies.

- The chain has completed a new pharmacy prototype that it will begin to roll out. The new layout, a result of the work of the pharmacy task force, removes the counter in front of the department, where clerks greet customers and ring up transactions. As a result, customers will be able to more directly approach pharmacists behind the main counter. The aim is more consultation and greater patient service.

The department has also been redesigned to eliminate pharmacists' steps and increase efficiency.

- Eckerd's remodeling program retains its brisk pace. The chain remodeled 267 stores in the most recent fiscal year and will redo over 200 in 1989.

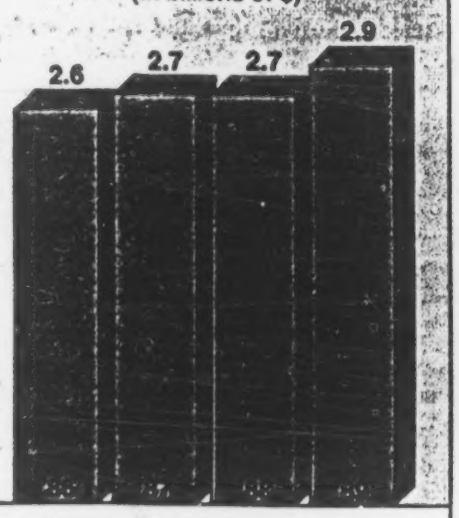
- Eckerd also wound up the year with 13 VisionWorks super eyecare centers in Florida and North Carolina. Recently it signed a letter of intent to acquire Peoples' three EyeCity super optical stores in the Washington, D.C. market. The Peoples units will be converted to VisionWorks.

Eckerd at a glance

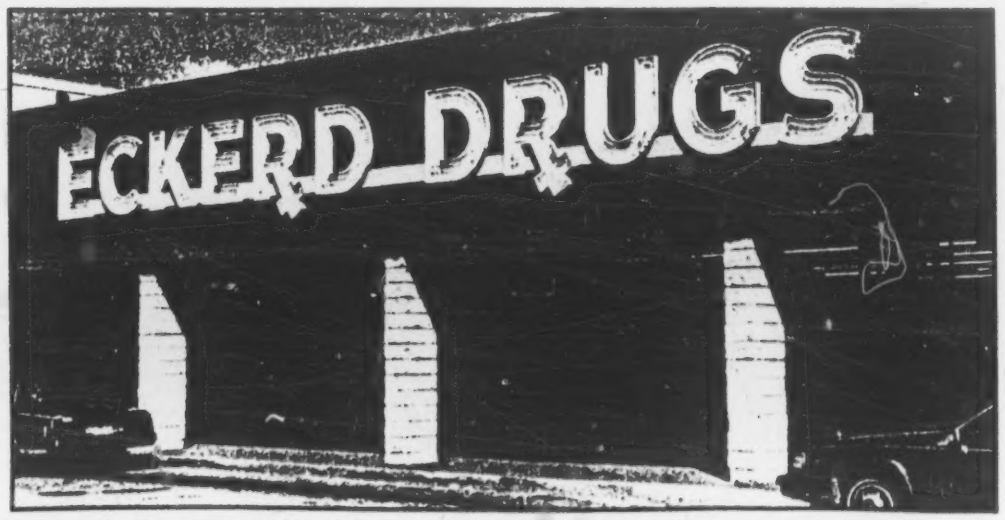
Name: Jack Eckerd Corp.
Headquarters: Largo, Fla.
Officers: Stewart Turley, chairman and president; **John W. Boyle,** senior vp- finance; **Harry Lambert,** president, Eckerd Drug; **Ronald D. Peterson,** executive vp-marketing and merchandising, Eckerd Drug.
Sales: $2.9 billion.
Store count: 1,580
Average store size: 8,640 square feet
Market: 14 states in South, Southwest and Mid-Atlantic: Ala., Del., Fla., Ga., La., Md., Miss., N.J., N.C., Okla., S.C., Tenn., Texas., Va.
Highlights: Eckerd's rapid remodeling program continued in 1988, with 267 conversions completed. Chain also doubled the number of one-hour Express Photo departments, from 64 in 1987 to 126 last year. Emphasis was also placed on increasing number of stores capturing item-movement data; the count was 200 stores at fiscal year end.

*Eckerd sales trend**

(In billions of $)

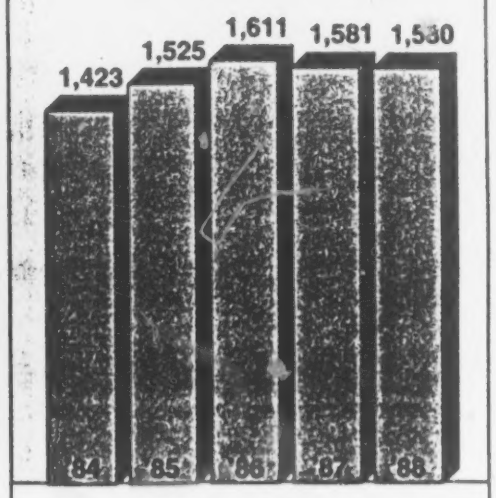


*Pro forma for 12 months ended Jan 31.



As the pipeline fills again with new store locations, the chain plans to step up expan-

Eckerd store count steady



Source: Company reports

Annual Report Part I: Rite Aid profile

Rite Aid sets rapid pace on chain takeover trail

SHIREMANSTOWN, Pa. — Rite Aid has stirred its fair share of excitement lately, buying 533 Gray Drug Fair and SupeRx stores in 1987, the Begley Co. in 1988, and, this March, reaching an agreement with Imasco Ltd. to acquire 114 Peoples (former Lane Drug) stores in the Midwest.

When this latest acquisition is completed, Rite Aid will have about 2,290 stores, lengthening its lead as the nation's largest drug chain in terms of units. The Peoples stores, mainly in Ohio (103) but also in Pennsylvania and Indiana, will give Rite Aid dominance in Canton and Toledo and enhance its presence in other markets, especially in Ohio. The deal also includes a 100,000-square-foot warehouse in Toledo; the chain currently operates five distribution centers.

Coincidentally, within days of the Imasco agreement, an investment group, led by Rite Aid chairman Alex Grass and including Grass family members and Super Rite Foods executives, entered into a definitive agreement to buy the Baltimore-based food wholesaler and retailer. Rite Aid maintained an equity holding of 46.8 percent in Super Rite. Analyst Kimberly K. Walin of Prudential-Bache expects anticipated proceeds from the sale of Rite Aid's interest, along with short-term debt, will be used to pay for the Peoples stores acquisition. She estimates that Rite Aid will pay between $65 million and $70 million, or roughly book value, for the Peoples units—"a very attractive price."

Integration of the 114 Peoples stores is expected to go relatively smoothly, in part because of the similarity in store size and merchandise mix of Rite Aid's and Peoples' stores. Rite Aid's average store size is about 6,500 square feet, and the Peoples' units, about 8,000 to 10,000 square feet. The Peoples' units, all equipped with pharmacy computers, generate about 40 percent of store volume from prescriptions, compared with 40.5 percent at Rite Aid.

Integration of some earlier acquisitions—especially acquired SupeRx and Gray Drug Fair stores in Florida—has been somewhat rocky, due to several factors. Competition in Florida was greater than expected, and Rite Aid was not a familiar name in the Florida market. Moreover, "Rite Aid's operating strategy of everyday low prices is different from the highly promotional situation in Florida," said one analyst. "It's taken longer than expected for customers to appreciate the advantages of Rite Aid."

Downsizing and remodeling of acquired stores, as well as extensive liquidation of merchandise not compatible with Rite Aid's mix, contributed to depressed third-quarter results. And rapid installation of data-collection computers in stores pushed up related costs.

Rite Aid cited some of these factors, along with declining videocassette rentals, when it posted its third-quarter results, which showed a decline of 19.7 percent in net income for the drug store segment. Although comparable-store sales for base stores increased 7.3 percent for the quarter, comparable-store sales for acquired stores were down 9 percent compared with last year's third quarter.

By year end, however, Rite Aid had managed to round the corner on performance of acquired stores, and fourth-quarter results showed comparable-store sales in acquired units turning positive.

Retail drug segment sales for the fourth quarter rose 16.6 percent, to $778.91 million, from $667.97 million. Net income decreased slightly, to $33.5 million for the quarter, from $33.9 million a year ago.

For the year, drug segment revenues grew 14.6 percent, to $2.7 billion, from $2.4 billion. Net income was $87.7 million, compared to $86.1 million. Same-store sales for core Rite Aid units increased 7.9 percent for the quarter and 7.1 percent for the year.

The SupeRx and Gray Drug Fair acquisitions bolstered the chain's positions in Florida amd the mid-Atlantic states, and the acquisition of Begley's drug stores (currently 39 units) strengthened its position in Kentucky. The Begley deal also brought Rite Aid about 140 drycleaning stores, the nation's largest drycleaning chain.

Currently, Rite Aid operates in 22 states and Washington, D.C., and has the largest store count and pharmacy volume in New York, New Jersey, Maryland, Delaware, West Virginia, Ohio and Kentucky markets.

In technology, the chain is pushing on with installation of personal computers in store managers' offices, but has put its scanning rollout (600 stores have been equipped) on the back burner.

In addition to its imposing acquisition activity, Rite Aid has made news in another arena, championing retail pharmacy's interests against third-party administrators' attempts to lower reimbursement levels.

Using detailed company figures, chairman Alex Grass showed how some third-party plans that slice 10 or even 20 percent off AWP (average wholesale price) have resulted in bottom-line losses for pharmacy. "We don't want to see ourselves having to raise the price of prescriptions to customers or the price of our merchandise in our stores to subsidize third-party plans," Grass said. Rite Aid, he warned, was prepared to reject third-party business that didn't contribute to its profit line.

Rite Aid, 40 percent of whose pharmacies as good as its word: The chain, which had already dropped several plans it judged uneconomical, including Humana of Kentucky and Equicor of Virginia, threatened to pull out of the Pharmaceutical Card Systems (PCS) program in Baltimore because it attempted to lower reimbursement levels. Equicor in Virginia and PCS in Baltimore subsequently reverted to former reimbursement levels. And in early '89, Rite Aid said it would no longer honor two other PCS plans: Ohio University Insurance Plan Administrators and Cigna Healthplan of Pennsylvania, New Jersey and Delaware.

On April 5, Martin Grass was appointed president and chief operating officer of Rite Aid Corp.

Rite Aid storefronts are known to consumers in 22 states.

Rite Aid at a glance

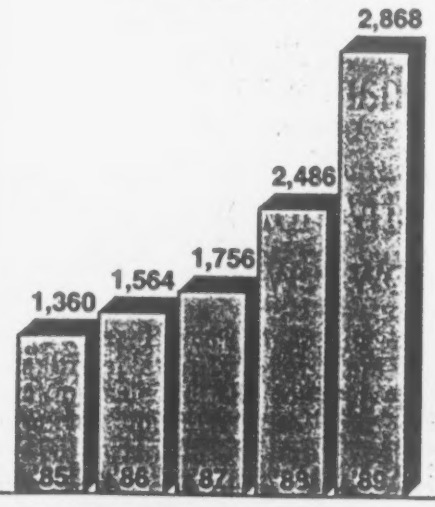
Name: **Rite Aid Corp.**
Headquarters: **Shiremanstown, Pa.**
Officers: **Alex Grass,** chairman and ceo; **Martin Grass,** president and chief operations officer.
Sales: **Drug segment, $2.7 billion; net income: drug segment: $87.7 million.**
Store count: **2,184 (not including pending acquisition of Peoples units)**
Average store size: **About 6,500 square feet**
Market: **22 states (from N.H. to Fla. and west to Ind.) and Washington, D.C.**
Highlights: **Acquired 39-store Begley Co. in Ky.; acquired 114 Peoples (former Lane Drug) stores in Ohio, Pa. and Ind.; took the lead in focusing on inadequacies of third-party reimbursement plans.**

Integration of the 114 Peoples stores is expected to go relatively smoothly, in part because of the similarity in store size and merchandise mix of Rite Aid's and Peoples' stores.

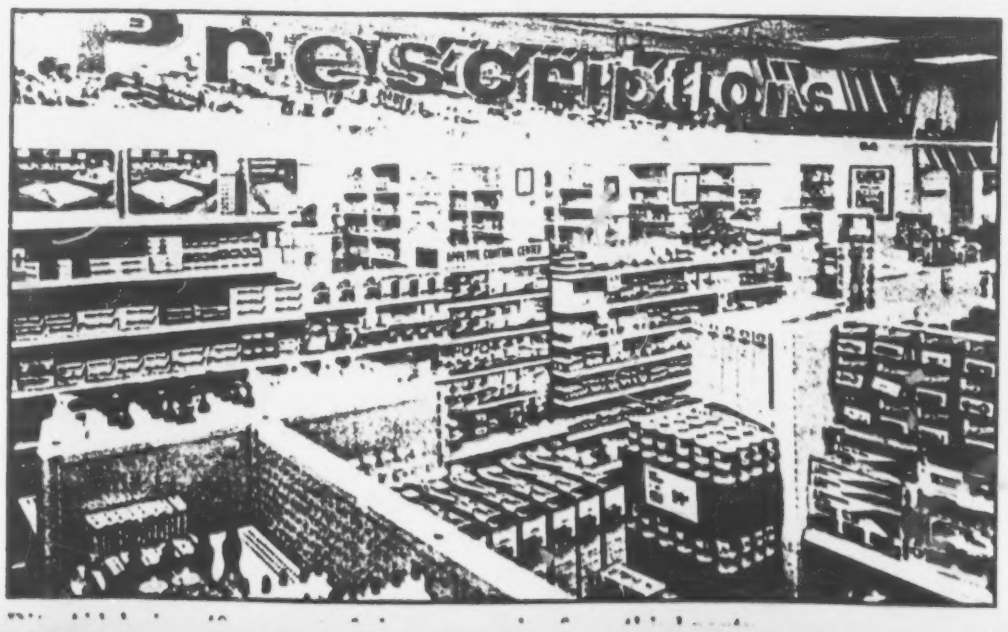
Rite Aid . . . made news . . . championing retail pharmacy's interests against third-party administrators' attempts to lower reimbursement levels.

Rite Aid sales

(In millions of $)

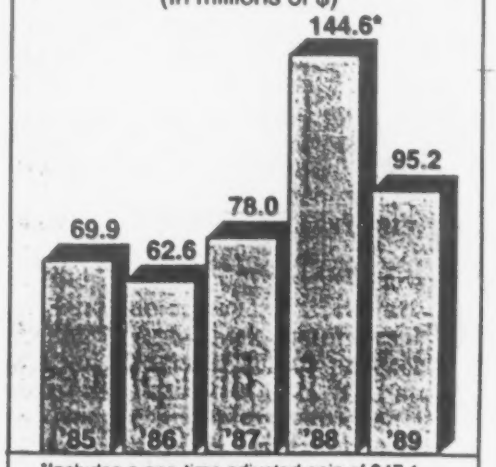


Fiscal year ended March 4, 1989.
Source: Company reports



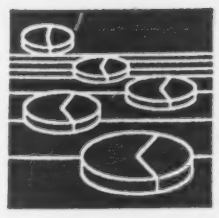
Rite Aid earnings

(In millions of $)



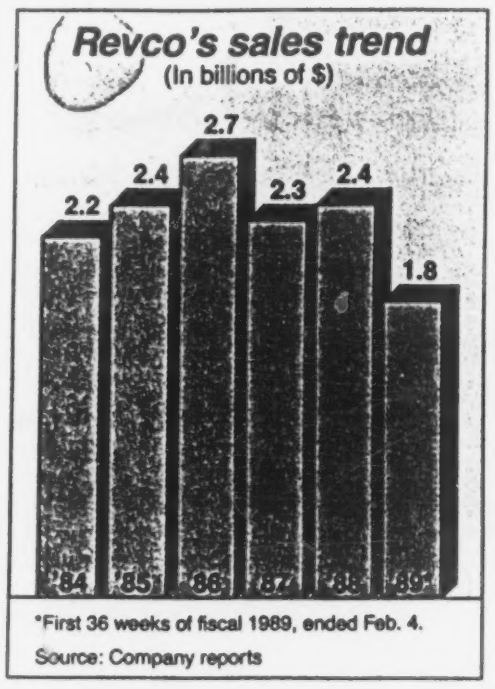
*Includes a one-time adjusted gain of $47.1 million from the sale of discontinued operations and the cumulative effect of an accounting change of $3.7 million.
Fiscal year ended March 4, 1989.
Source: Company reports

Under new management, Revco makes strides



TWINSBURG, Ohio — Revco D.S. has gone through the kind of year that gives retail executives nightmares. Like Mark Twain's famous retort, however, reports of Revco's impending demise appear to have been exaggerated.

In many ways, Revco is fundamentally more sound than it has been in years, despite its financial crisis. Over the past year, it has stripped itself of more than 100 unprofitable stores and its disastrous connection with Odd Lot Trading. It has welded together an experienced, broad-based new management team under chairman and chief executive Boake Sells. It has won back most of its suppliers, negotiated new credit packages and spruced up stores, and developed a new store format for the 1990s. It has launched a national image ad campaign in *USA Today*, and boosted store sales as a result.



Root of the problem

Those changes came out of utter necessity. In 1988, all the problems stemming from the company's debt-laden, poorly conceived leveraged buyout and its loss of strategic vision in the 1980s came to an ugly head. In successive waves, Revco's mounting debt pressures, supply problems and shrinking sales hit the company with staggering force as the year progressed, swamping its already shaky financial underpinnings and finally forcing it into the shelter of U.S. Bankruptcy Court in late July.

Revco's bankruptcy was the first major failure of an LBO, and it sent a shock wave through the close-knit ranks of the chain drug industry. The company's mounting inability to meet its debt payments—which culminated last June when it defaulted on a $46 million interest payment to its bondholders—was really the final straw for many of its bondholders and supplier/ creditors. It led directly to Revco's filing for Chapter 11 protection on July 28.

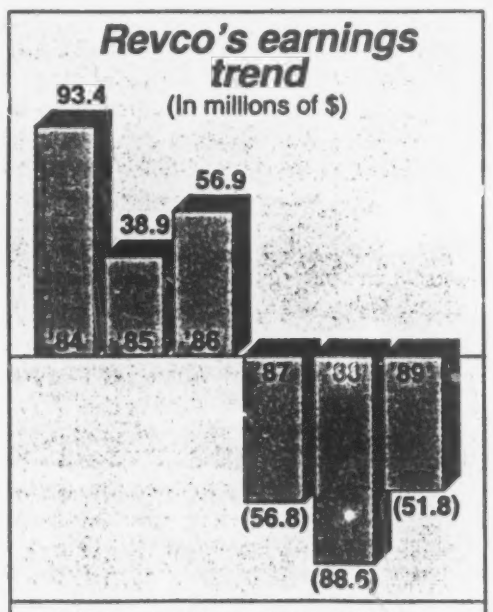
Revco's financial crisis arose directly from its ill-fated LBO in December of 1986. At that time, the company sold itself to a team of lending banks and junk bond investors with a set of projections for future performance that were, in retrospect, absurdly optimistic.

The buyout added more than $1 billion to Revco's debt structure, and in the months that followed, the company fell farther and farther behind in its struggle to meet interest payments with inadequate cash flow.

Chain's deeper problems

In addition, the chain was already saddled with deeper problems. Many of its stores had long been neglected, and were in need of major renovation. Its merchandise mix and image as a health care provider had been scrambled by years of experimentation with deal merchandise obtained through its Odd Lot Trading subsidiary, resulting in stores that were cluttered with speed tables and knockdowns. Operating costs for its far-flung network of 2,000 stores were high, while sophisticated information, merchandising and distribution systems to effectively manage that huge network were often lacking.

To make matters worse, support for Revco from its suppliers was steadily eroding as its financial pressures mounted and payments were squeezed or strung out. The supply problem turned into near-disaster following the Chapter 11 filing, as vendors burned by a freeze in payments temporarily cut off credit agreements with the chain and demanded money up front for new shipments.



The supply crisis has been an ongoing challenge and a top priority for Revco since last summer. At its worst late last summer and fall, the cutoff in supplies resulted in major out-of-stocks in stores and led to a decline in sales. Although shipments are not yet at 100 percent, they have returned to "near normal" conditions, according to a company spokesperson.

"Advance payments to vendors enabled the company to begin to restore vendor confidence and return terms to normal," noted the company in its 10Q report for the recently completed third quarter. "However, the return to normal conditions was slower than originally anticipated, as warehouse service levels dropped from a high of 90 percent in the first quarter to 54 percent midway through the second quarter, resulting in merchandise out-of-stock conditions and the loss of both sales and customers."

Service levels have since gone up, leveling off at 89 percent by the end of the third quarter in early February 1989, the report added. Sales and vendor confidence have also rebounded, it stated.

Revco is in the midst of a total overhaul of merchandise and distribution systems, and is improving training of store-level employees. Inset: Boake Sells, chairman and chief executive.

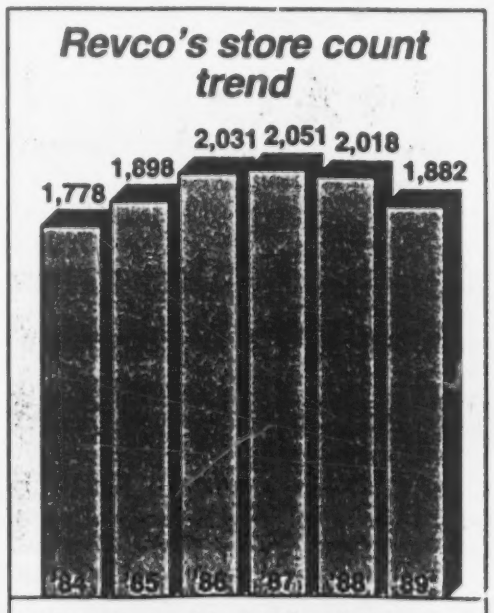
To come out of bankruptcy, Revco must come up with a payment plan for its $1 5 billion in liabilities that its creditors and the court can live with. In the meantime, Sells has infused the company with a clear-cut set of priorities. Among them: clean, well-merchandised and well-stocked stores; a renewal of Revco's retail mission and image; the creation of operational systems where few existed before; an overhaul of Revco's outmoded merchandise mix and distribution system; better-trained and more motivated store employees; and the development of an all-new store prototype to bring the chain into focus as a modern, convenient retailer of health- and beauty-care basics.

'I am pleased with our progress to date," Sells said. "Our stores are cleaner and better stocked than they have been in some time. Revco's banks and vendors have shown they believe in our future. And most important of all, our employees have weathered the storm and continue to be focused on. . .the future.'

In a way, the bankruptcy filing signaled the final break between Revco's entrepreneurial beginnings under former chairman and co-founder Sid Dworkin, and its future as a leaner, more disciplined company under Sells. If the chain survives—and all indications are that it will not only endure but will again prosper—it will do so as a vastly different company.

Revco must still work to sharpen its image and boost customer counts, but a national ad campaign in *USA Today* has helped restore its health care image, and the refocused stores are beginning to draw back customers.

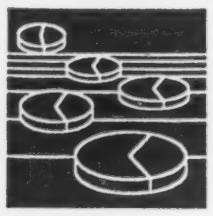
"I am pleased with our progress to date," Sells said in March. "Our stores are cleaner and better stocked than they have been in some time. Revco's banks and vendors have shown they believe in our future. And most important of all, our employees have weathered the storm and continue to be focused on the efforts that are still needed for the future."



Revco D.S. at a glance

Name: **Revco D.S.**
Headquarters: **Twinsburg, Ohio**
Officers: **Boake Sells,** chairman and ceo; **William Holmes,** executive vp and cfo; **Jim Adamson,** executive vp-marketing.
Sales: **$2.4 billion**
Store count: **1,882**
Average store size: **8,450 square feet**
Market: **Midwest, Southeast, Southwest, North Central, Northeast, Middle Atlantic.**
Highlights: **Revco declares bankruptcy on July 28, 1988; overcomes severe supply shortages; closes underperforming units; renews vendor relationships; achieves record results at Christmas.**

Thrifty grows through acquisition



LOS ANGELES — Following its $234 million acquisition of Pay 'n Save, Inc., Thrifty Corp. is now looking to fine-tune operations at its 1,039 stores companywide.

Chain strategy calls for technological advances that continue or go beyond the improvements made last year. In 1988, Thrifty improved pricing and inventory controls when it equipped 190 more stores with point-of-sale (POS) registers. Thrifty ended the year with nearly 400 stores on the POS system, and this year another 235 locations will be added.

Thrifty also installed its first bar code scanners at 12 drug stores in 1988, and expects to add over 100 locations this year. The chain anticipates all stores will be using scanners within four years.

The past year also saw Thrifty test its first satellite communications network between the corporate office and its drug and sporting goods stores. Designed to improve the efficiency and cost of data handling, the satellite system will be rolled out to 400 stores in '89.

Chain strategy calls for technological advances that continue or go beyond the improvements made last year. The chain says all stores will have scanners in four years.

Beyond technology, Thrifty is also looking to increase its drug store market share throughout its predominantly Western territory. In 1988 the chain opened 18 full-size Thrifty drug stores and completed the "Perfecto" remodeling effort, which improved site layout, lighting and displays. Thrifty also opened 13 of its downsized Thrifty Jr. stores, closing the year with some 71 in operation.

However, the chain was forced to retrench in some areas during the past year. At five Ralphs Grocery Company sites in Southern California, Thrifty closed its Jr. stores that were suffering from their small size, limited merchandise mix and sluggish sales.

Since the summer store closures Thrifty has renegotiated with Ralphs, and the drug chain will again link up with the grocery operator in what will be four former Giant locations. Unlike the previous deal, however, Thrifty will operate close to full-size stores and have greater autonomy from the grocery stores.

Thrifty also chose to pull out of a planned store in San Francisco's Haight-Ashbury area after the under-construction store was torched by an arsonist last fall. Although it remains unproven, blame for the blaze was directed at community groups that had fiercely opposed the store in an effort to preserve the area's artsy flavor.

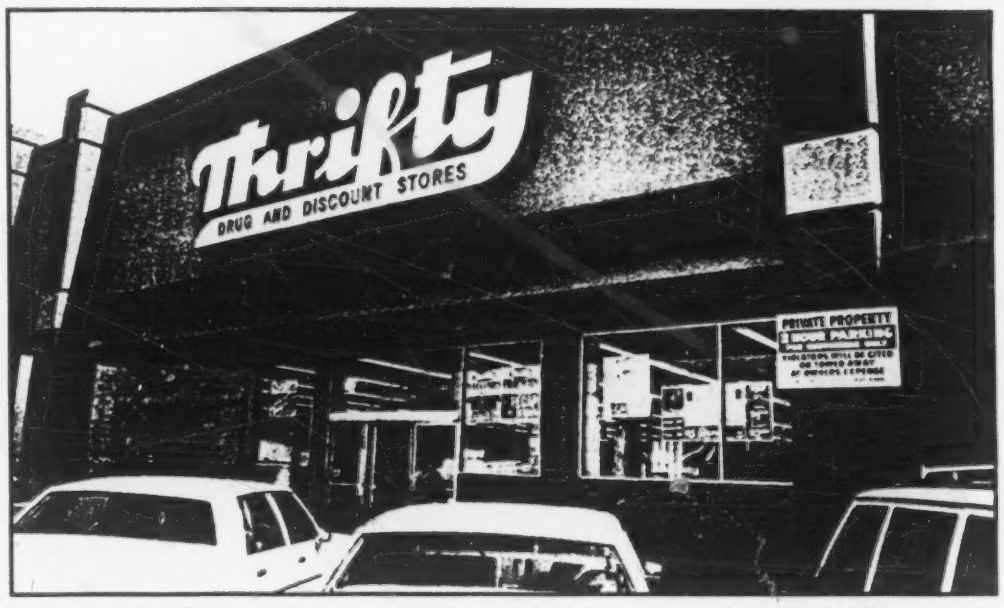
Looking ahead, Thrifty plans to add 46 drug stores this year, funded by a portion of Pacific Enterprises' proposed $590 million in capital expenditures. In the prior year, $624 million was allotted by the parent, with Thrifty grabbing $101 million (exclusive of the Pay 'n Save acquisition). While the total outlay this year will be lower, Thrifty should continue to get a fair share, since the company is one of Pacific Enterprises' leading subsidiaries.

Thrifty expects its plans and technical enhancements will keep the chain on its steady growth pattern. With the help of the Pay 'n Save move, Thrifty saw its sales climb from $1.84 billion in '87 to $2.40 billion last year. While sales increased 30 percent, operating income after taxes jumped 35 percent, to $66 million from $49 million in the previous year.

Thrifty at a glance

Name: **Thrifty Corp.**
Headquarters: **Los Angeles**
Officers: **Leonard H. Straus**, chairman and ceo; **Richard G. Eils**, president, chief operations officer, chief financial officer.
Sales: **$2.40 billion**
Operating income after taxes: **$66 million**
Stores: **768 Thrifty drug and discount stores, Thrifty Jr., and Pay 'n Save units (company also operates 38-store membership discounter Bi-Mart along with 233 sporting goods stores)**
Average drug store size: **19,000 square feet**
Market: **California, Oregon, Washington, Arizona, Idaho, Nevada, New Mexico, Utah, Wyoming, Hawaii and Alaska**
Highlights: **Thrifty acquired 110 Pay 'n Save drug stores and 37 Bi-Mart discount stores from financially troubled Pay 'n Save in a stock deal valued at approximately $234 million.**

Richard Eils



A key goal for Thrifty this year is to raise market share throughout its predominantly Western markets.

Thrifty refines, integrates Pay 'n Save and Bi-Mart

SEATTLE — With Pay 'n Save under its wing for nearly one year, Thrifty Corp. is furthering integration of these stores, raising margins and overall profits.

The deal gave Thrifty 110 Pay 'n Save drug stores and 37 Bi-Mart discount stores, but the acquired company was not without problems. A leveraged buyout in 1984 had saddled Pay 'n Save with heavy debt, which even a later public offering could not quite overcome. (Thrifty did not acquire the Pay 'n Save, Inc. debt in the acquisition).

Additionally, the Pay 'n Save drug stores experimented with an unsuccessful merchandising switch that prompted customer unhappiness and confusion. The chain then returned to a traditional drug store approach under the direction of Gerald Nathanson, and recovery had begun when Thrifty made its acquisition.

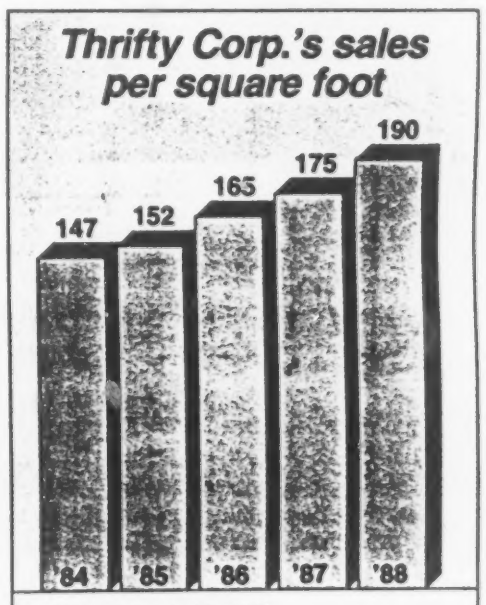
Yet more changes were needed, and Thrifty quickly laid out a game plan for Pay 'n Save. Primarily, efforts included: implementation of Thrifty's management information systems; increased volume buying; third party business; and private label merchandising.

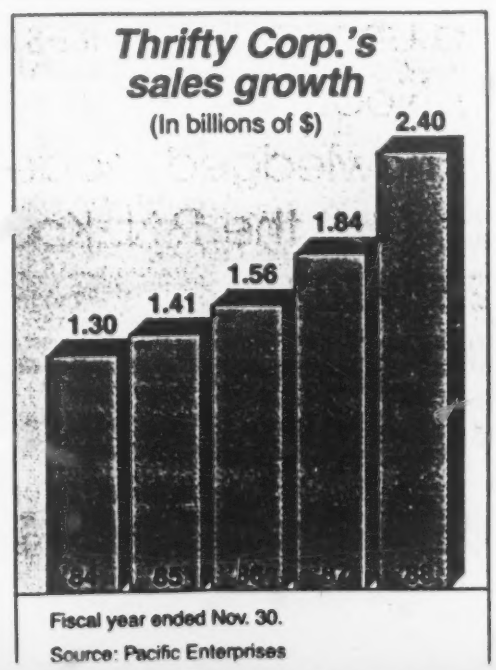
Thrifty also placed some of its management team at Pay 'n Save when Nathanson resigned a month after the acquisition. Thrifty allowed Pay 'n Save to continue functioning out of Seattle, but its managers got considerably less control.

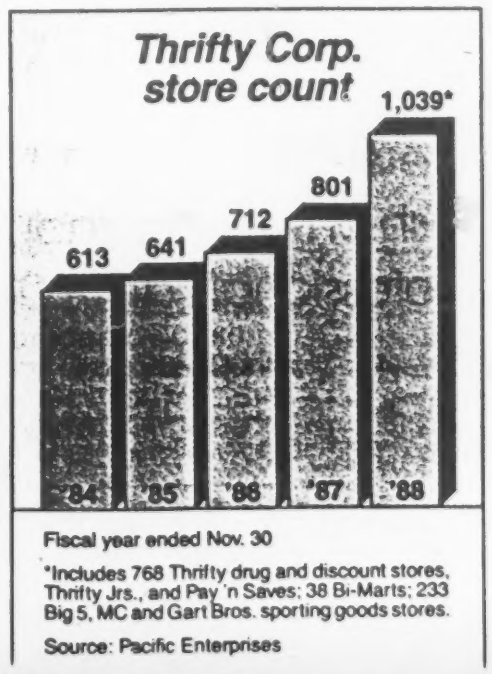
Dick Eils, Thrifty president, filled the Nathanson slot with Thrifty senior vp Richard Dortch. With Thrifty since 1969, Dortch was made Pay 'n Save executive vp and general manager, while a like position was created at Thrifty for John Onestinghel.

With all these changes, Thrifty still recognized that the Pay 'n Save name was an opportune investment. The acquisition gave Thrifty rapid entry into markets where it had been weak, such as Washington, Oregon, Hawaii, Alaska and Idaho. Thrifty went so far as to change the names of 14 of its stores in the Pacific Northwest to that of the acquired chain.

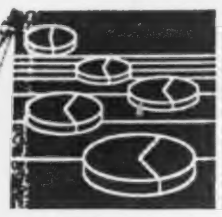
Thrifty is currently looking to refine and better integrate the Pay 'n Save and Bi-Mart stores. According to the parent company Pacific Enterprise's annual report, Thrifty plans to bring the Pay 'n Save and Bi-Mart stores "to a sound and profitable performance in 1989 through stricter controls, volume purchasing and traditional chain drug merchandising."







Longs' autonomy effective in face of change



WALNUT CREEK, Calif. — Longs Drug Stores turned 50 in 1988, a year of many changes at the 236-store chain.

Its celebration began in May with an image campaign emphasizing class and nostalgia. During a four-week advertising blitz, Longs used a wide array of media to promote the event—then capped it by giving away a 1938 Buick to a lucky customer.

Yet before the hoopla ended, executive vp Dick Scott left Longs to join Osco Drug Stores. His departure meant the absence of Longs' No. 3 executive, and led to other upper management losses as others followed Scott to the competition. Among them: Dick Boyd, Mike Baird, Dale Bystrom and Dominic Cavollo.

Not surprisingly, Longs turned to many of its veterans to help fill the vacancies. Scott's role was given to senior vp-marketing Steve Roath, who brought with him not only marketing expertise but a strong background in pharmacy and management information systems (MIS).

Other key slots were filled by Bill Brandon, George Duey, Dan Wilson, Barry Renner, Dave Fong, Al Arrigoni, Jack Daleth, Sal Petrucelli, Mike Raphel and Kyle Westover.

Throughout the transitional period at headquarters, Longs stores remained relatively unaffected because of the company's decentralized structure.

Evidence of the power of store autonomy was apparent with Longs' strong year-end financial results. For the 12 months ended Jan. 26, 1989, sales rose nine percent to $1.925 billion, while net income for the period increased 13 percent to $55.86 million.

The chain added 11 stores during the year to total 236 stores in six states. Plans call for 13 new locations in 1989.

Other plans for the current year have Longs continuing with its successful four-color newsletter circulars. Dubbed "Health News," "Beauty News" and "Today's Lifestyles," the circulars feature both informative articles, product advertising, coupons and introductions to area store personnel.

First created at the store level, the newsletter-style circulars are now distributed chainwide via direct mail and newspaper inserts. During 1989 Longs will continue to distribute three circulars plus add a fourth, "Garden News."

This is more the

chain will also delve further into the operation of its first pharmacy warehouse. The chain opened the San Diego warehouse earlier this year, and after undergoing a test phase, the facility is now serving some 57 area stores.

Although the warehouse is a first for Longs, the move does not deviate from the company's operating philosophy. Stores still have the option of choosing their preferred buying source, whether it be the Longs warehouse, a wholesaler or vendor. Yet Longs is definitely making its warehouse a viable source, and the 35,000-square-foot facility is looking to make its mark with high volume pharmacy products.

According to a chain source, the rising cost of goods primarily prompted Longs to open the warehouse. In time, and with greater operating experience, Longs expects to offer central buying to more of its stores' pharmacies.

Longs is also now studying the possibility of providing central buying, warehousing and distribution for some of its front-end merchandise. Currently, the chain only centrally distributes and buys promotional products.

However, while studying central buying, Longs discovered it first needs to enhance its MIS, and this option is now under review.

Bob Long, president of Longs Drug, saw the decentralized chain perform well in 1988.

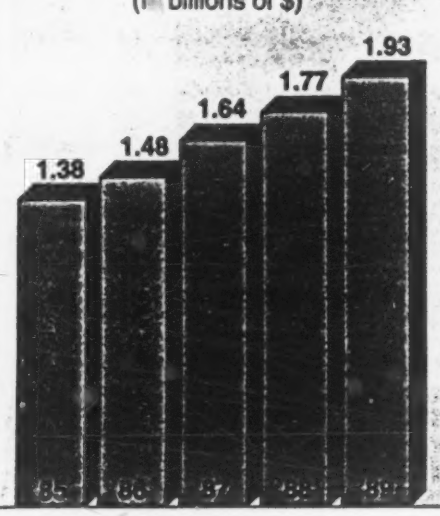
Longs at a glance

Name: **Longs Drug Stores**
Headquarters: **Walnut Creek, Calif.**
Sales: **$1.925 billion**
Earnings: **$55.9 million**
Store count: **236**
Market: **California, Hawaii, Arizona, Nevada, Alaska and Colorado**
Highlights: **Former senior vp-marketing Steve Roath took over as executive vp when Dick Scott left Longs to join Osco Drug Stores.**

Pharmacies in 57 Longs stores are now buying pharmaceuticals from the chain's first Rx warehouse, in San Diego.

Longs' sales growth

(In billions of $)

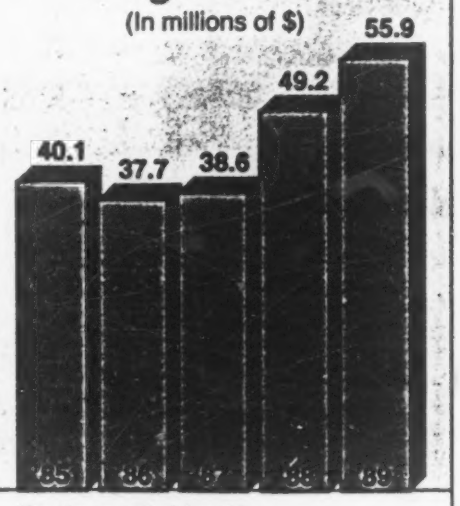


Fiscal year ended Jan. 26

Source: Company reports

Longs' earnings growth

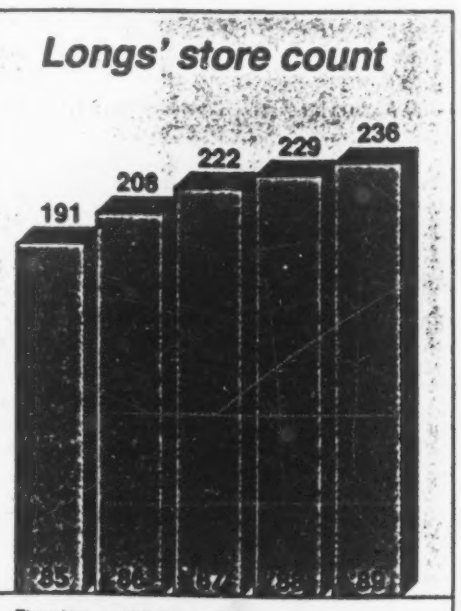
(In millions of $)



Fiscal year ended Jan. 26

Source: Company reports

Longs' store count



Fiscal year ended Jan. 26

Source: Company reports

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Annual Report Part I: Peoples, Shoppers Drug Mart profiles

Strategy steering Peoples toward profitability

ALEXANDRIA, Va. — Peoples Drug Stores made significant progress during 1988, the start of its three-year strategic plan to return the chain to profitability.

Operating earnings for the fourth quarter were $8.3 million, up from the previous fourth quarter's $3.4 million. The operating loss for 1988, expressed in U.S. dollars, dropped to $6.6 million, from a loss of $16.9 million for 1987. Revenues rose 7 percent, to $1.5 billion for 1988 (expressed in U.S. dollars).

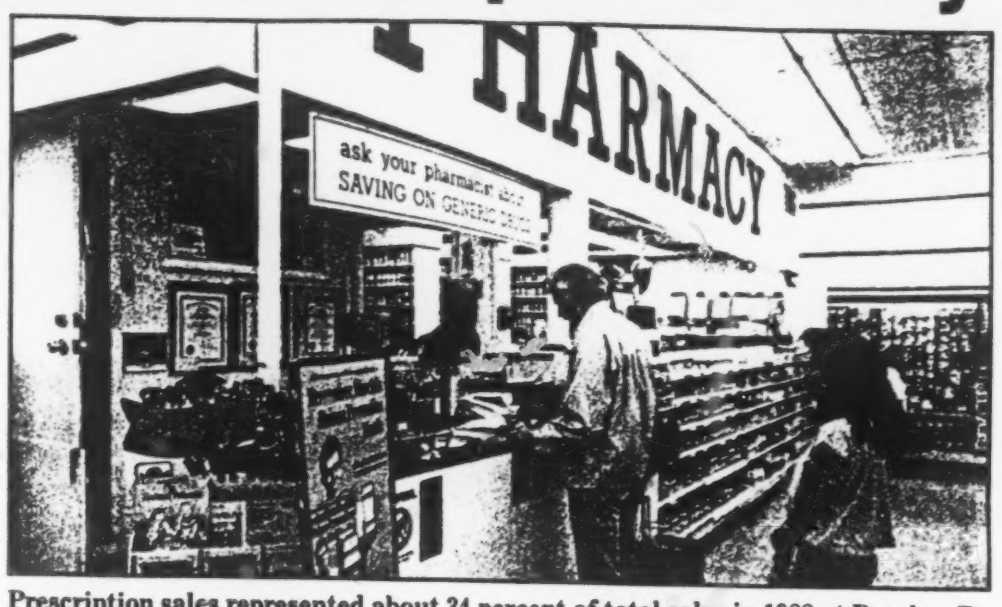
Comparable-store sales increased 5.9 percent. Prescription sales, on a comparable-store basis, increased 15 percent, continuing to lead all categories.

But in January 1989, Peoples announced it had sold its Reed division of 85 stores to Big B for about $50 million and planned to sell 240 additional stores, mainly in Ohio and Indiana. In early March, Rite Aid agreed to buy 114 of them.

David Bloom, ceo of Imasco Drug Retailing Group, which includes Peoples, said: "We analyzed all parts of the company short term and felt that downsizing to the core where we are market leaders will best enhance the turnaround."

Among Peoples' 1988 achievements:

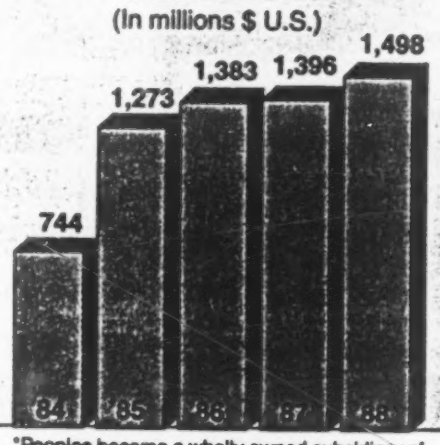
- The rollout of the Boss format, which emphasizes pharmacy, cosmetics, photofinishing, private label and some seasonal items, in 265 stores.
- Installation of electronic scanning point-of-sale cash registers in 101 stores, in addition to the 11 test stores equipped in 1987. Plans are to increase the total to 170 by the end of this year.
- Installation of 285 more pharmacy computers, so that at year's end, 85 percent of Peoples' core-market stores were equipped, with plans to complete installation in 1989.
- Advertising and marketing program reinforcing message of convenience, value, service and selection.
- Restaging of private label brands to improve packaging, quality, and price competitiveness.
- Heightened community involvement through such projects as Wellness Express, a mobile health clinic.



Prescription sales represented about 34 percent of total sales in 1988 at Peoples. By year-end 1988, 85 percent of stores in Peoples' core market area were operating with pharmacy computers.

Peoples five-year sales trend*

(In millions $ U.S.)



*Peoples became a wholly owned subsidiary of Imasco April 1, 1984. Figures for 1984 are for the nine months from the date of acquisition to Dec. 31, 1984.

Fiscal year ended Dec. 31.

Source: Company report

Peoples at a glance

Name: **Peoples Drug Stores**
Headquarters: **Alexandria, Va.**
Parent: **Imasco Ltd.**
Chairman, ceo, Imasco Drug Retailing Group: **David R. Bloom**; senior executive vp, coo: **David Eisenberg**
Sales: **$1.5 billion**
Store count: **About 505 stores** (not including 126 former Haag stores, primarily in Indiana, up for sale)
Highlights: **Took steps to reorganize the company and step up return to profitability, including sale of 85-store Reed division and of 114 Peoples stores (former Lane Drug units, mainly in Ohio). An additional 126 stores in Indiana are for sale. When these sales are completed, Peoples will be geographically concentrated in its strongest markets: D.C., Md., Va., W.Va. and Pa. Finished first year of three-year plan, achieving significant reduction in operating loss, compared with a year ago. Had operating profit of $8.3 million in fourth quarter.**

SDM's market share growing, systemwide sales rise

WILLOWDALE, Ontario — Shoppers Drug Mart, Canada's largest drug store group, increased its market share by 1 percent in 1988, for a national market share of about 32 percent.

Shoppers' systemwide sales increased 14 percent in 1988, to $2.4 billion Canadian, and operating earnings were up 11 percent, to $57.1 million Canadian. Comparable-store sales increased 10 percent.

Among steps Shoppers took during the year:

- Super X stores were converted to Shoppers, bringing strong sales increases.
- Six of seven Pharmaprix Carnaval deep-discount stores in Quebec were sold; the seventh was converted to a regular Pharmaprix.

These changes were followed this spring by the conversion of all Howie's stores to Shoppers, marking it's departure from deep discounting.

One factor that swayed Shoppers to convert the Howie's stores was Ontario's blue laws, set to go into effect next year, which bar retail stores larger than 7,500 square feet from operating on Sunday. (Howie's are 15,000 square feet and larger.)

Another factor: The Super X conversions, with resulting substantial improvements in sales, convinced management that the Shoppers Drug Mart name and format were exceptionally powerful in existing markets.

A total of 42 new locations opened in 1988, including 35 acquisitions. In all, 15 unprofitable stores closed during the year, and at year's end, total store count under all concepts was 613.

(Eight Shoppers Food Basket stores, which combine food items with the regular drug store mix, were opened during 1988, bringing total units in that format to 24. Shoppers also added two stores that include Home Health Care Centres, for a total of 18 with these centers.) The chain also undertook 22 major remodels during 1988.

In early 1989, Herbert R. Binder became president of Shoppers, which operates in 10 Canadian provinces and one territory. At the time of his appointment, Binder said the current year will be one of consolidation for the Canadian chain, coming off a period of

Shoppers Drug Mart with Food Basket in Toronto, one of 24 stores with this format.

cus on operations, "so that each store will maximize its profitability." Shoppers plans to open 30 units in 1989 and has scheduled 35 remodels.

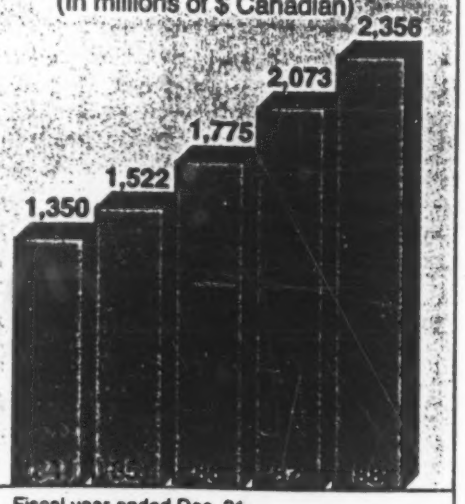
He added that about 40 percent of the 1989 capital budget will go toward retrofitting and renovating existing stores.

Shoppers is also starting to roll out a new in-store pharmacy system, plus a new in-store accounting system. In addition, the chain is selecting "the next generation" of point-of-sale systems, which will include UPC scanning and full lookup, and plans to have pilot stores on the system by the end of the year.

The largest retailer of cosmetics and related accessories in Canada, Shoppers is remerchandising its cosmetics departments and refitting them with contemporary fixtures and lighting.

Shoppers Drug Mart systemwide sales

(In millions of $ Canadian)



Fiscal year ended Dec. 31.

Source: Company report

Shoppers Drug Mart at a glance

Name: **Shoppers Drug Mart**
Headquarters: **Willowdale, Ontario**
Parent: **Imasco Corp.**
Chairman and ceo, Imasco Drug Retailing Group: **David R. Bloom**
President and coo: **Herbert R. Binder**
Sales: **$2.4 billion, Canadian**
Store count: **613**
Average store size: **7,500 square feet**
Markets: **10 provinces, 1 territory**
Highlights: **Increased market share by 1 percent, to about 32 percent of national share; increased sales 14 percent; converted Howie's deep-discount stores to Shoppers Drug Mart.**

Controls, same-store gains boost CVS profits

WOONSOCKET, R.I. — CVS parlayed its concept of "Today's Neighborhood Drug Store" to bigger profits in 1988.

Melville's drug store division, which includes deep discounter Freddy's, posted a 28.6-percent gain in operating profits to $128.5 million in the year ended Dec. 31.

The increase was due in part to better expense controls and 12 percent same-store sales gains, said said Bob Huth, Melville's executive vp and cfo. He cited an ongoing shrink containment program and more effective buying, thanks to CVS's two year-old California warehouse which is improving gross margin.

CVS climbed 21 percent to $1.68 billion of drug division sales, which reached $1.82 billion. Freddy's rose 37 percent to $129.6 million in sales. This was helped by the addition of four stores, for a total of 18.

CVS has stuck with a successful formula: providing the core drug store H&BA, cosmetics and OTC categories in a well-merchandised easy-to-shop 7,000-square-foot format.

In 1988, CVS opened 68 stores, closed 14 for a net gain of 54, and ended the year with 752 stores. Nine stores in Connecticut and Massachusetts, bought from Fay's, were among those added.

CVS's California, New Jersey and Pennsylvania markets gained the most stores on a percentage basis, and are due to receive the highest rate of growth this year again, a CVS source said.

CVS ended the year with 60 stores in California, 53 in Pennsylvania, and 88 in New Jersey. The California drive is supported by a 200,000-square-foot warehouse, 50 miles east of Los Angeles, that can supply up to 150 stores—a level anticipated by the early 1990s. The chain's other major states are Massachusetts (206 stores), Connecticut (67), New York (160), and Rhode Island (43). CVS plans to maintain its store opening pace, and expects to open 58 stores this year and close eight to end with 802.

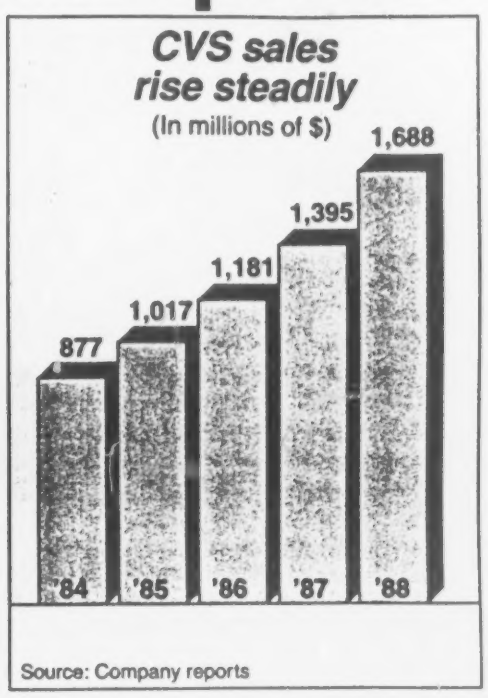
The chain continued its brisk rollout of pharmacy departments, adding 53 to stores in 1988, and ending with 545 pharmacies.

Distribution center space was increased to 1.5 million square feet, up 100,000, through an addition to the Woonsocket facility. Meanwhile, CVS prepared to open a 400,000-square-foot DC in New Jersey, the chain's fourth, which should be operating by mid-year.

CVS launched a test of POS scanning, with slot scanning devices installed in seven stores.

The chain benefits from a veteran management team; this was underscored in the fourth quarter when a series of promotions were announced. Gary Charboneau was elevated from senior vp-marketing to executive vp-marketing. He joined a three-man executive vp tier, reporting to CVS president Harvey Rosenthal. Seven other executives were promoted from vp to senior vp posts, and five more gained vp titles.

CVS has grown by sticking with core categories in easy-to-shop 7,000-square-foot stores that are conveniently located. Inset: Harvey Rosenthal.



CVS at a glance

Name: **Consumer Value Stores (CVS)**
Headquarters: **Woonsocket, R.I.**
Parent: **Melville Corp.**
Officers: **Stanley Goldstein,** president, Melville Corp.; **Harvey Rosenthal,** president, CVS.
Sales: **$1.688 billion**
Stores: **752**
Market: **13 Northeastern states, and Calif.**
Highlights: **Operating income from CVS and Freddy's deep discount stores surged forward; CVS rolled out stores on both coasts and prepared to open a new warehouse in N.J.**

Fay's comeback driven by store maturation, rollouts

LIVERPOOL, N.Y. — After Fay's Drug posted a $1.1 million loss in its 1987 first quarter, the company explained that 41 percent of its total store base—including Wheels auto parts and Paper Cutter office supply stores—were less than three years old and not yet profitable.

Maturation of these stores and a measured rollout of new drug stores during the past two years have contributed to Fay's ongoing comeback.

As of the latest fiscal year-end Jan. 31, Fay's had just 23 percent of its store base under three years old, including only 15 percent of its drug stores. Annual earnings rose 68 percent.

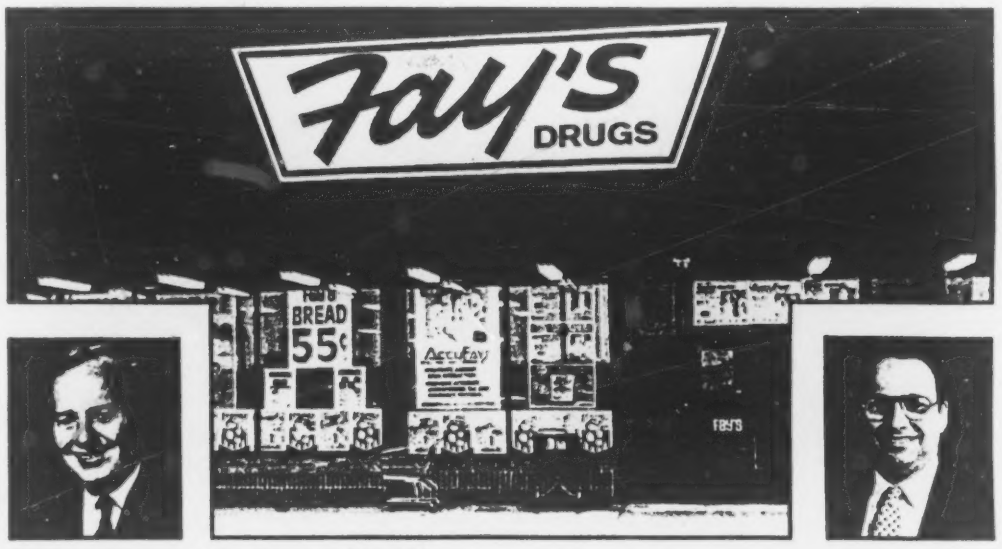
To raise chainwide performance, Fay's adjusted drug store merchandise assortments and pricing. The chain chose not to compete on the basis of price with deep discounters and sharp combo operators such as Wegman's in Rochester. It held the price line on its promotional mix to boost margins. And it slashed prices selectively in the promotional mix to drive sales.

The strategy worked. Gross margins, which were 26.8 percent two years ago, rose to 27.8 percent last year, and 29.6 percent in fiscal 1989. Sales have kept their momentum, helped by a 17.5-percent gain in same-store prescription

Meanwhile, Fay's plans growth in all three divisions, and intends to remain a diversified company. Henry A. Panasci, Jr., chairman, advised security analysts that Fay's plans to reach the $1 billion sales mark by 1994.

To achieve that, Fay's will increase its drug store count by 10 to 15 percent a year, with 15 to 16 stores planned for fiscal 1990. The Wheels division will grow from its current 16 units to 120 over the next five years, and Paper Cutter from a current base of 14 to 60 by the end of 1994, Panasci predicted.

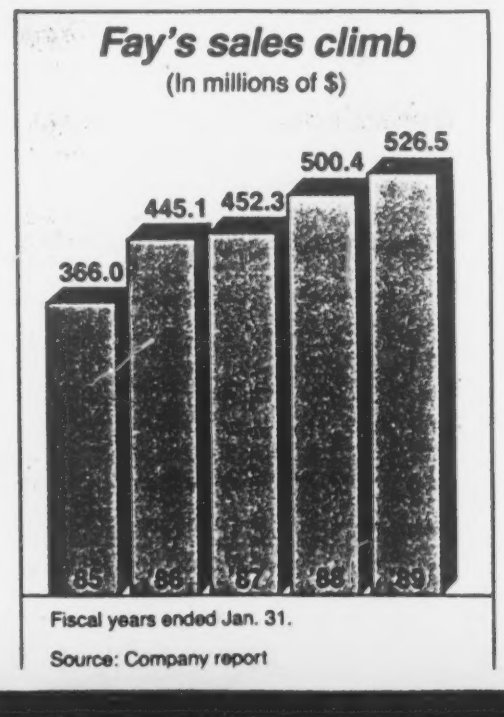
Preparing for that three-division growth, the company last month announced a restructuring. Formerly senior vp-operations, John Kogut was named Fay's first president of the drug store division. He reports to Larry Rose, president and chief operations officer. Dan O'Leary, former vp-finance and cfo, was named executive vp-support and services.



Fay's stores are due for considerable expansion over the next five years. Inset: Henry A. Panasci, Jr. (left), Larry Rose (right).

Fay's at a glance

Name: **Fay's Drug Co., Inc.**
Headquarters: **Liverpool, N.Y.**
Officers: **Henry Panasci, Jr.,** chairman and ceo; **Larry Rose,** president and chief operations officer.
Sales: **$526.5 million.**
Store count: **153 drug stores (including six bantam stores); 16 Wheels auto parts stores; and 14 Paper Cutter office supply stores.**
Market: **N.Y. and Pa.**
Highlights: **Fay's posted a 68 percent earnings gain** in its latest fiscal year. **A reorganization clarified command lines, as John Kogut was named president of the drug store division, and Dan O'Leary was named executive vp for corporate services, including finance and real estate,** for all divisions.



Annual Report Part I: Pay Less NW, Snyder's profiles

Pay Less NW will bank on new store format

WILSONVILLE, Ore. — Pay Less NW capped its fiscal year with a splash when it introduced a store prototype this winter in Cameron Park, east of Sacramento.

The 269-store chain had begu~ finetuning its merchandising strategy at the start of 1988 to better emphasize core drug store categories. Grocery, for instance, was cut back to make room for more seasonal, greeting cards, jewelry and stationery items. This effort leaped ahead in the recently opened prototype. The store emphasizes pharmacy, cosmetics and photo in an upscale environment that could take Pay Less well into the 1990s.

Key features include a unique, angled layout, graduated gondola heights, four-color lifestyle posters and graphics, department store-style merchandising of domestics and housewares, and special new fixtures.

During fiscal 1989, Pay Less expects to open 30 to 35 of these new stores, while also beginning remodels on existing locations. Next month, the first remodel will debut in San Rafael, Calif., after 12 weeks of renovation.

Although the prototype looks to be Pay Less's wave of the future, some stores had already been planned under the old format and will open as such in 1989. Pay Less expects to open 41 new stores in all this year. They'll push Pay Less over the 300-store mark and keep the chain headed towards its 500-store goal by the early '90s. Not long ago, in 1987, Bernard Fauber, retired president of parent K mart, said the subsidiary would double in size by 1991.

To help forge this growth, Pay Less is continuing to expand its sophisticated management information systems. Earlier this year, the chain launched a new video magazine that reaches the majority of its stores via satellite transmission. The magazine is a proven, instantaneous way to inform store-level employees about company and merchandising news, which leads to better customer service.

Many stores like this will be remodeled in 1989, and augment 30-35 new stores which copy the format of Cameron Park prototype.

Conveying information from stores is also possible through the satellite system—and is valuable, since all stores capture item movement data. By fiscal year's end, nearly half the stores already had scanners.

The year also ended with several announced management changes and the notice of one pending retirement.

Former vp-merchandising Gary Brooks returned to store level, so his slot was filled by Jerry Kuske, formerly vp and gmm-store operations.

Under his new duties, Kuske is now responsible for advertising, merchandising and display programs. Kuske is also involved in the chain's effort to reduce the dollar amount of its store inventories.

Taking on Kuske's old job is former district manager Murray Todd. In his new role, Todd works closely with his previous equals, helping to keep them abreast of employee training seminars, meetings and videos, and corporate decisions.

Meantime, chairman Ed Hart is planning to retire in June. Having spent 40 of his 65 years at Pay Less, Hart will be leaving behind a chain that has fared well both on its own and under the K mart umbrella.

It was Hart who helped propel Pay Less to the attractive status that garnered K mart's interest. The chairman was responsible for instituting one of the industry's first pharmacy computer networks. He also helped to spearhead many of the chain's aggressive merchandising strategies.

In his last full fiscal year, Hart brought Pay Less' sales volume to $1.45 billion, compared to $1.2 billion in the previous year, according to Shearson Lehman Hutton. The investment firm also calculates that the drug chain's operating profit was four percent of sales, or $58 million.

Pay Less NW at a glance

Name: **Pay Less NW**
Headquarters: **Wilsonville, Ore.**
Parent: **K mart**
Officers: **Ron Schiff**, president; **Ed Hart**, chairman; **Tim McAlear**, executive vp
Sales: **$1.45 billion***; operating profit, **$58 million***
Store count: **269**
Average store size: **31,000 square feet**
Market: **Oregon, Washington, California, Idaho, Montana, Arizona, New Mexico, Colorado and Nevada**

*Estimate by Shearson Lehman Hutton

Snyder's revamps for more up-to-date image

MINNETONKA, Minn. — For Snyder's Drug Stores, 1988 was a significant repositioning period.

The chain shrugged off its slogan as "The old corner drug store for today" and replaced it with "The Right Brands. Right Now." The new slogan reflects Snyder's new posture as a contemporary retailer with a broad selection of up-to-date products.

The market research that produced Snyder's new slogan also resulted in the chain dropping the words "drug store" from its advertising. "Our research showed that the term 'drug store' carries some dated perceptions not in line with Snyder's today," explained Bill Vidmar, vp-marketing.

Both changes are integral to Snyder's major new media campaign. Created after extensive market research by a local agency, Martin/Williams Advertising, the campaign features new television image commercials and a revamped circular program aimed at female shoppers age 25 to 54.

But that's just the latest of changes Snyder's initiated during the year. Others include:

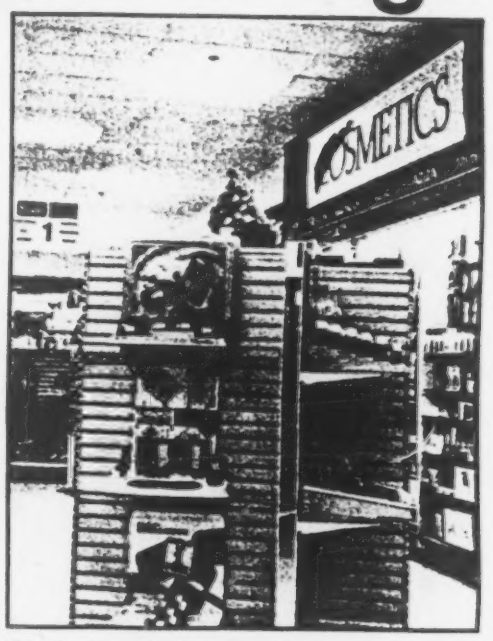
- A new pharmacy consultation prototype. Adjoining pharmacy, the new consultation alcoves contain several chairs, a display of health-related literature, a drinking fountain (so patients can take medication), a blood pressure testing machine and a side window to the pharmacy, for counseling privacy.

In addition, pharmacy will be at floor level, rather than on a platform, in all remodeled and new stores. (Focus groups complained of having to literally "look up" to the pharmacist, as well as about the awkwardness of filling out forms at a high counter.)

- A new mini-combo prototype for some corporate stores. Eleven of Snyder's larger (12,000-square-foot-and-up) stores, in locations without a grocery or convenience store nearby, are being remodeled with full convenience food departments, including coolers and freezers.
- Use of large, colorful banners for department identification. The banners are easily moved, allowing flexibility moving the manager's office to the front of stores, for greater accessibility and better store observation; and using comprehensive fixture modules to create a more unified look in cosmetics departments.

Snyder's is the No. 1 drug chain in the Minneapolis/St. Paul market, controlling more than 30 percent of drug store sales. In addition to 62 corporate stores, 162 independent stores use its name and programs, and its wholesale operation serves 51 additional stores.

Behind the more visible changes at Snyder's are internal improvements, begun after Don Beeler, now chairman, president and ceo, and five other execs bought Snyder's from Wickes in a 1986 LBO. Two key elements: Snyder's now has a better personnel training program, establishing three "Snyder University" training centers in the Twin Cities and three in Wisconsin; the chain also developed uniform systems and store performance standards.



Snyder's colorful new banner signage, upper right, can be moved around, allowing flexibility in store planning.

Snyder's new mini-combos, such as this Minneapolis store, contain full convenience food departments, with coolers

Snyder's at a glance

Name: **Snyder's Drug Stores**
Headquarters: **Minnetonka, Minn.**
Donald D. Beeler: Chairman, president and ceo
Sales: **$241.9 million (corporate);** drug and H&BA stores: **$129.6 million**
Store count: **62 (corporate); 162 (independent-owned stores using Snyder's name and trademarks and participating in Snyder's programs). In addition, 51 stores are served by Snyder's wholesale operation.**
Average store size: **10,000 square feet**
Markets: **Minn., Wis., Mich., Iowa.**
Wholesale markets: **N.D., S.D., Mont., Neb., Ill.**
Highlights: **New media campaign; store design changes, including pharmacy consultations prototype, mini-combo re-sets, department identification**

Annual Report Part I: Phar-Mor, K&B profiles

Phar-Mor is now a driving force in 18 states

YOUNGSTOWN, Ohio — At a pace of approximately one new store every week, Phar-Mor is growing rapidly into a retail powerhouse. The off-price chain has opened 123 stores in 18 states since the first Phar-Mor opened in Ohio in 1982, and it plans to have 164 units on line by the end of this year.

In late February, Phar-Mor pushed farther westward, with its first unit in suburban Denver. Typical of the chain's rapid growth strategy in new markets, it plans to have three or four stores open in the Mile High City by year's end.

In recent months Phar-Mor has also entered Louisiana and Texas; it is building rapidly in Houston. Stores have also been added in Chicago and in various cities in Florida, the Midwest and the Southeast.

Phar-Mor's drive into a new area is always a high-profile marketing event that gets the attention of local drug, food and discount store operators.

The reasons are apparent to any retailer who has witnessed Phar-Mor's brand of market penetration. For one, Phar-Mor doesn't enter markets slowly. Rather, it stages a retail blitzkrieg, snapping up site opportunities and rapidly building a powerful store base. Thus it can quickly do cost-effective, market-wide advertising, and its stores are within reach of customers all over town.

And the deep-discount chain advertises heavily, both for grand openings and on an on-going basis. Unlike most off-pricers which rely on word-of-mouth, the company doesn't hesitate to spend ad dollars on a variety of media, including full-color glossy circulars, regular newspaper inserts and ROP ads, and television.

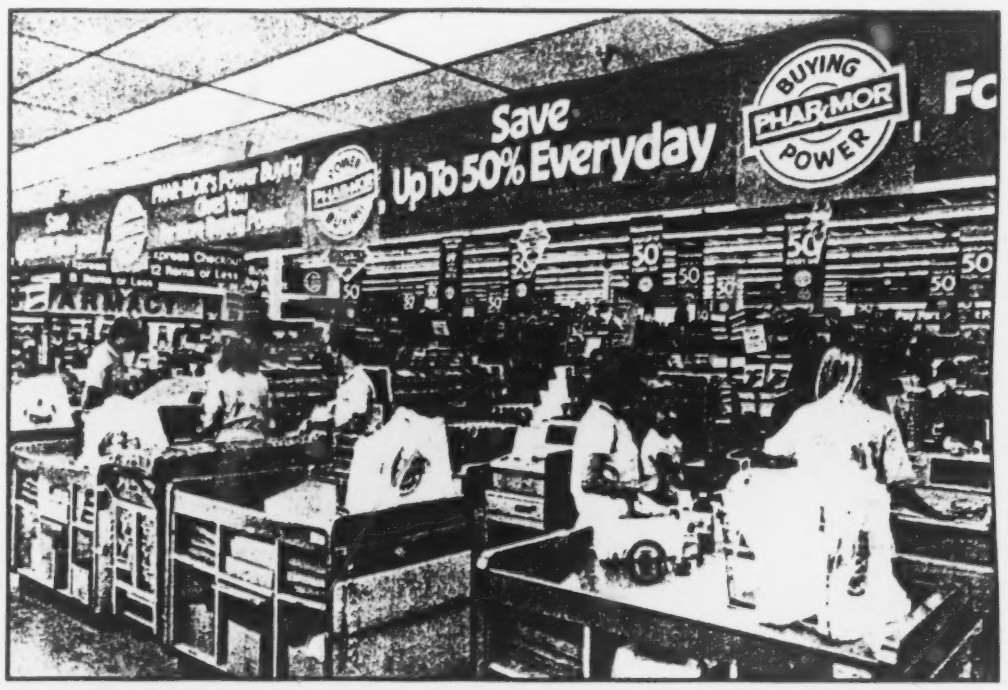
The chain also offers at least the image of across-the-board, deep-discount pricing, cutting prices to the bone in some departments and making up for it in other areas. Gross margins are squeezed as low as 16 percent in some departments, but high turns, heavy customer traffic and per-customer sales, and higher margins elsewhere in the store generate consistent profits. Phar-Mor won't say just how much the profits are, but its heavy cash flow has been enough to keep the chain growing at a breakneck pace.

Another Phar-Mor strength is its merchandise mix, which is far broader than that of most off-price drug retailers and includes several aisles of dry groceries and candy and snacks, as well as a strong presentation of housewares, paper products, H&BA, books, and records and tapes. Most stores also have high-traffic video departments with some of the cheapest rental prices in town.

Phar-Mor's broad mix, low prices, and large, clean stores are enough to appeal to a broad demographic spectrum of customers. Stores range in size from about 40,000 to 65,000 square feet, and virtually all feature computerized pharmacies.

Phar-Mor at a glance

Name: **Phar-Mor**
Headquarters: **Youngstown, Ohio**
Officers: **Michael Monus,** president; **Joel Arnold,** senior vp-operations; **Jim Teichman,** senior vp-general manager; **Joe Pingue,** senior vp-marketing.
Store count: **123**
Fiscal 1988 sales: **$752 million** (estimate)
Market: **Southeast, Midwest, North Central, Southwest.**
Highlights: **Nearly doubled in store count; entered new states including Texas, Louisiana, Wisconsin, Iowa and Kentucky; strengthened Chicago store base to 10 units.**



Competitors have learned not to underestimate the potency of Phar-Mor when it enters a market.

Tight market causes K&B to trim its expenses

NEW ORLEANS — K&B, coping with a four-year economic depression in its home state and in Texas, is adhering to the course articulated by James LeBlanc when he was appointed president: "We will continue what we're doing and try to do it better."

In line with the second part of that statement, the 149-store chain has stepped up its advertising substantially and reduced its expenses in all areas, said Bruce W. Fiegenschue, vp and director of operations.

Especially in its New Orleans market, where it holds about a 43 percent market share, and in northern Louisiana, K&B's increased investment in price-item TV advertising has been "well worth it," Fiegenschue said. The chain has also reduced the number of full-page print ads and focused more on circulars and color, non-glossy newspaper inserts, run alternately with its circular program.

K&B's cost-cutting measures have resulted in greater efficiencies: "We've attacked every expense area over the past four years," the operations director noted. "We're improving our situation now, even though the local economy is not cooperating. The steps we've taken have paid off on the bottom line."

Expansion, which at one store per year had been essentially dormant during the past several years, will pick up this year. Fiegenschue said K&B plans to open four to six stores in the current year and expects to get back on an eight- to 10-store expansion track thereafter. The chain is looking Mississippi, Alabama, and Florida for growth. Although some new sites haven't been announced yet, a store is scheduled to open in Pensacola, Fla., this summer.

The chain is "in the infancy of re-prototyping stores to emphasize core drug store categories" and has expanded such departments as school and office supplies, greeting cards, candy and drugs and toiletries, he noted. In the four most recent store remodels, the manager's office has been positioned at the front of the store, allowing managers more visibility and improving security. Cosmetics also has been moved up front. About 10 store remodels will be completed by year's end.

The chain has also increased employees and hours at the cashier level to provide better service.

A strong seasonal chain, K&B also prides itself on being No. 1 in beverages, especially beer and soft drinks, in its markets. "We give beverages plenty of space and advertising—it's a super way to draw traffic," Fiegenschue said, adding that beverage strip ads are run weekly "without fail" at

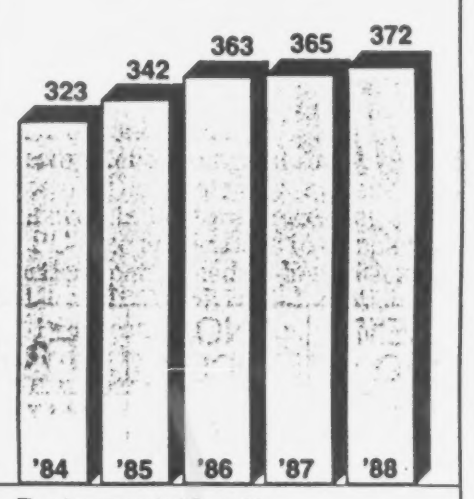
In addition, K&B's prescription business is "better than ever," the operations director said, noting that the chain is now aggressively pursuing the third-party market. On-line adjudication of third-party claims has "been a big help to us," he added. All K&B's 149 pharmacies have computers.

K&B at a glance

Name: **K&B Inc.**
Headquarters: **New Orleans**
Chairman and ceo: **Sydney Besthoff**
President and coo: **James J. LeBlanc**
Sales: **$372.2 million**
Store count: **149**
Average store size: **12,563 square feet** (selling)
Markets: **La., Miss., Ala., Fla., Texas**
Highlights: **Increased advertising; achieved 100 percent pharmacy computerization; expanded footage and concentrated focus on core drug store categories.**

K&B sales growth

(In millions of $)



Fiscal years ended Sept. 30.

Source: Company report

Satellite, growth launch F&M's sales skyward

WARREN, Mich. — F&M, the nation's third largest deep discounter, netted 14 more stores to its roster this past year and grew sales about 40 percent to an estimated $462 million.

Besides filling in some major new markets, and divesting itself of three former Pathmark Super Drug stores that did not fit into the current geographic expansion plans, F&M also successfully completed the chainwide installation of point-of-sale scanners, and is currently halfway through the installation of satellite discs, which should be chainwide by June.

The technology will enhance F&M's merchandising opportunities by letting buyers determine individual item movement on a daily basis. Frank Newman, president, said: "We'll be able to minimize our out-of-stocks because we'll know how quickly individual items are selling. That means we'll be able to improve our replenishment rates and that will prevent us from losing sales."

The satellite discs will save significant mail and phone fees, and perhaps more important, improve headquarters ability to communicate with stores and "respond much more quickly to the store's needs," said Newman.

As for expansion, home market fill-ins are being emphasized. In Detroit, for example, F&M now has 15 stores and will open at least another four in 1989. Their main deep discount competitor there is Perry's A.L. Price, which has about nine units in this city.

In Chicago, F&M has 25 stores compared to about 10 for Phar-Mor, their closest competitor there. Newman plans to open at least five stores in this city in 1989.

F&M only entered the Washington, D.C.-Baltimore market a year-and-a-half ago when they bought some Pathmark Super Drug stores. Recently, they acquired additional sites from Dart Drug to reach 10 locations in D.C. Newman thinks that area could hold 20 F&Ms, and plans to add three more this year to raise market presence to 13.

In Baltimore, F&M has six stores and might open two more this year.

Store opening plans beyond 1989 haven't been revealed. Newman said, however, that the chain will continue to grow aggressively with as many profitable stores as fast as possible.

F&M at a glance

Name: **F&M**
Headquarters: **Warren, Mich.**
Officers: **Frank Newman,** president.
Sales: **$462 million** (estimated)
Store count: **66**
Markets: **Michigan, Illinois, Ohio, Indiana, Wisconsin, D.C., Maryland, Virginia**
Highlights: **Opened 17 new stores, sold 3; installed point-of-sale systems chainwide; installed satellite discs in half of chain** and will complete chainwide rollout by June.

F&M will be quicker to respond to movement trends when merchandising such core categories as OTCs, thanks to scanners and satellite transmissions.

Store growth, POS systems spur Thrift's sales, profits

PITTSBURGH — New store growth and further rollout of POS computer systems marked the year for Thrift Drug, which posted another 12 months of record sales and profits.

Thrift launched 35 stores, its highest rate of new openings in any year, and closed one for a net gain of 34. The chain backfilled markets in eastern Pennsylvania and Philadelphia, New Jersey, Delaware, and Atlanta, Ga., and Kansas City. It continues to operate in 19 states in the Mid-Atlantic, South, and Midwest regions.

Thrift's fiscal results kept pace with record sales and earnings it has achieved through the 1980's.

"We had a fine year, where we exceeded both sales and profit projections," said president Bob Hannan. Sales grew 11.6 percent in the fiscal year ended Jan. 28. Profits growth exceeded that of sales, Hannan said.

"I attribute [the results] to the excellent management performance turned in by our people throughout the organization," he added.

Thrift takes advantage of logical tie-in to present eye care, dental and sun care products at pharmacy counter.

Hannan

Civello

Thrift didn't move into any new markets, but did forge into some central business districts such as Philadelphia with a downsized format of 5,000 square feet. This compares with the chain's favored 8,500 square foot format in strip centers.

The smaller format is another example of Thrift's commitment to layouts which emphasize core drug departments. This began in the late 1970s, when Thrift eliminated much general merchandise, and downsized stores that were as large as 25,000 square feet.

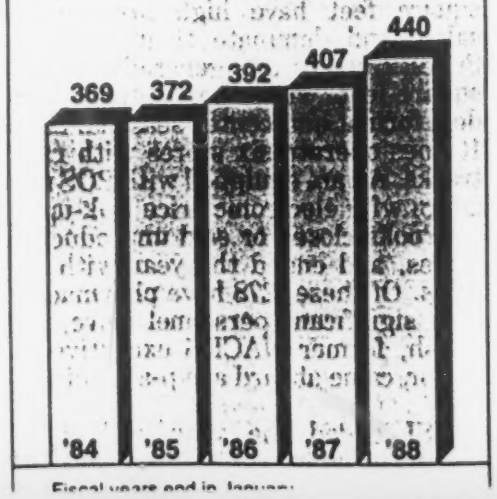
Thrift this year decided to drop eight optical centers which it was operating in Pittsburgh stores. "Our drug stores have relatively compact trade areas which don't have enough prescription eyeglass business to properly support an optical department," Hannan said.

Thrift, however, is maintaining its home health care business, which blends well with pharmacy and its overall health image. Customers or pharmacists in 320 stores can order equipment stored in five Thrift DME (durable medical equipment) centers, and have it delivered directly to the patient's house.

Thrift continued to refine its pharmacy computer system and roll out a POS system. The pharmacy system gives pharmacists in-store processing power for PC-type applications to complement functions performed on-line with a central host. It also allows integration with the POS scanning system, which was in 140 stores by fiscal year's end.

In personnel shifts, Janice Meikle, was named vp-professional and public affairs, replacing Don Bell who retired in February. Also, Craig Sinclair was named vp-marketing.

Thrift store growth accelerates

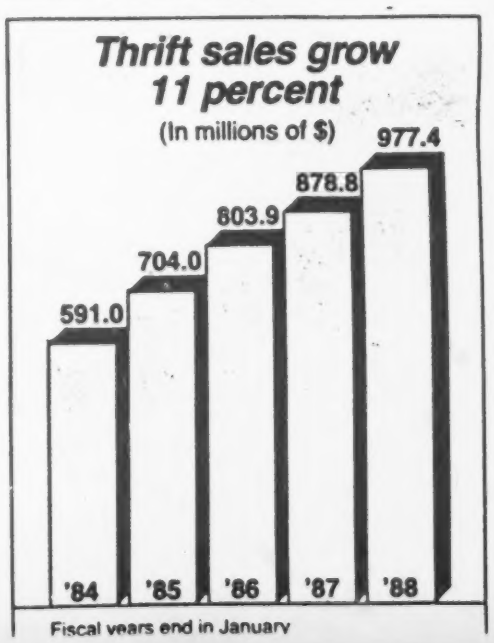


Fiscal years end in January

Thrift at a glance

Name: **Thrift Drugs**
Headquarters: **Pittsburgh**
Parent: **JCPenney Co.**
Officers: **Robert Hannan,** president; **Tony Civello,** executive vp-operations
Sales: **$977.4 million.**
Stores count: **440**
Markets: **Pa., N.J., Ga., Del., Kan., Md., Mo., Ohio.**
Hightlights: **Thrift Drug achieved record sales and profits, and backfilled markets including eastern Pa. It installed POS scanning in about one-third of its**

Thrift sales grow 11 percent



Fiscal years end in January

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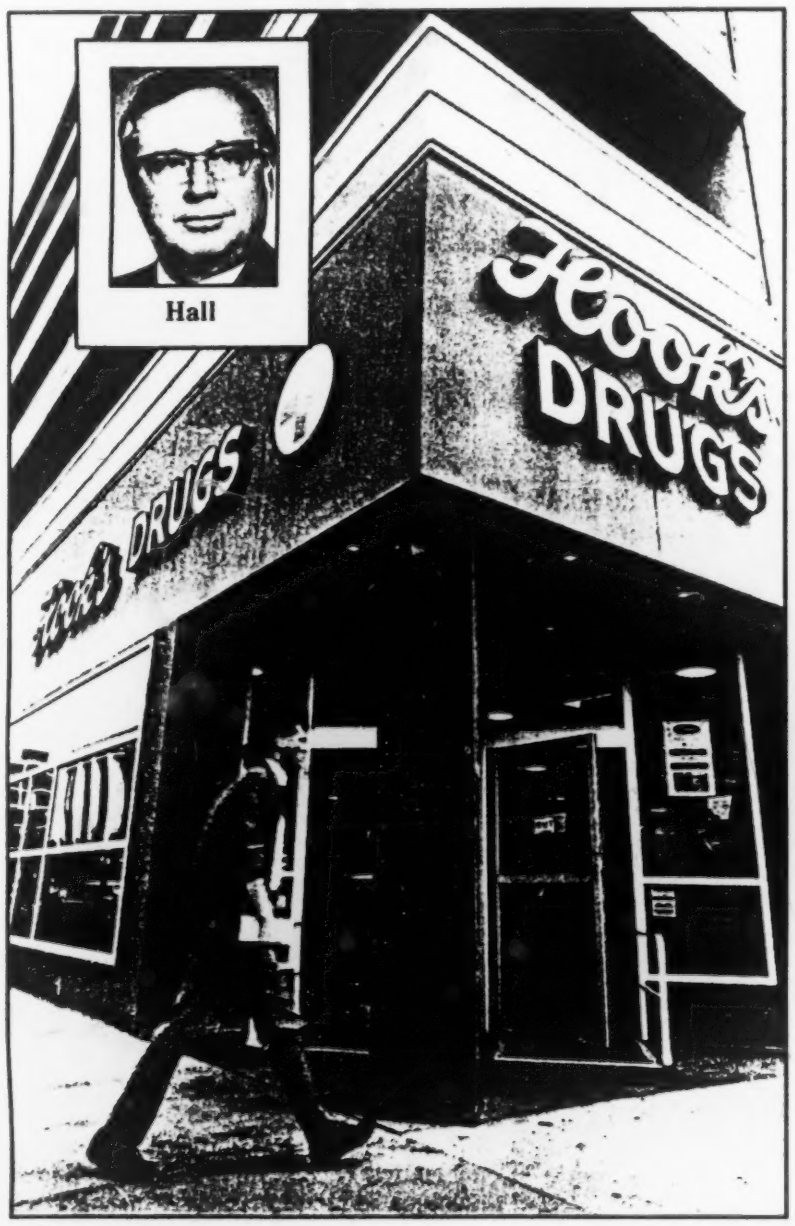
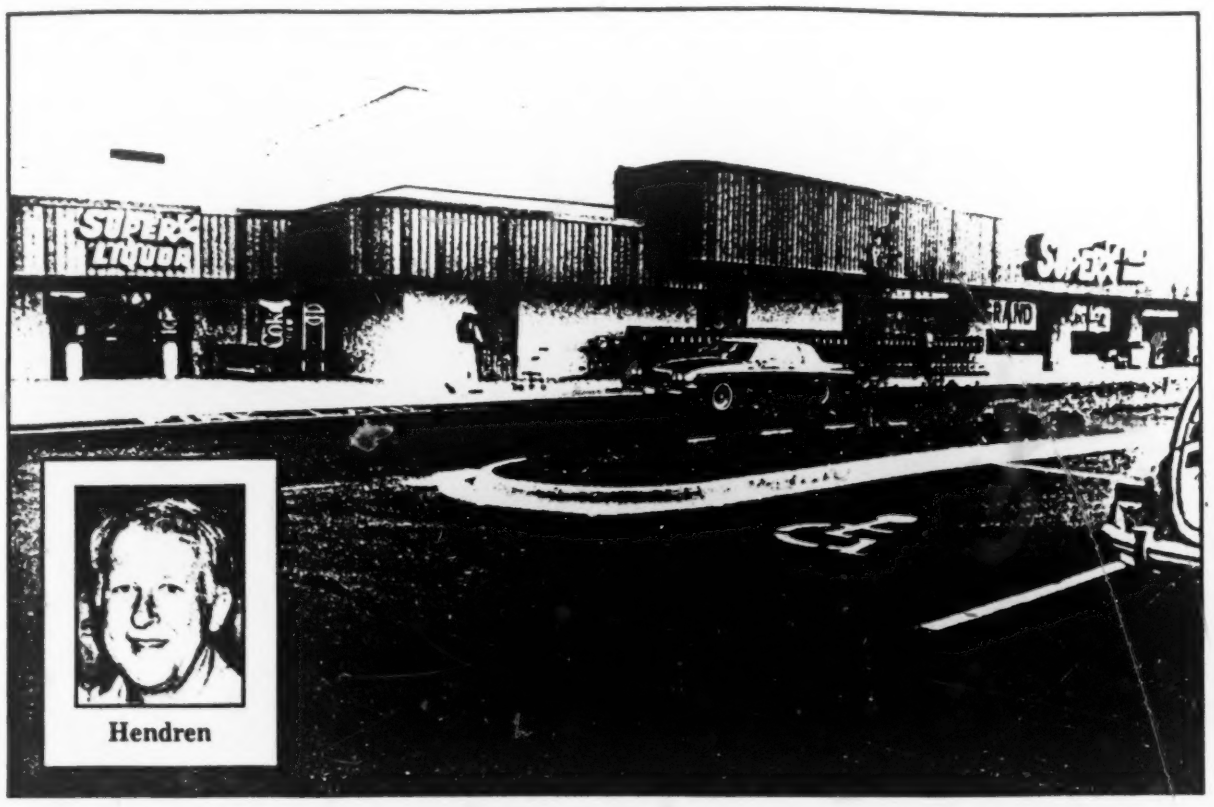
Annual Report Part I: Hook-SupeRx, Brooks profiles

Hook-SupeRx at a glance

Name: **Hook-SupeRx, Inc.**
Headquarters: **Cincinnati**
Officers: **Philip Beekman,** chairman; HSI executive vps and divisional presidents: **Gary Hendren,** SupeRx; **Newell Hall,** Hook; **Gayl Doster,** Brooks.
Sales: **$1.3 billion**
Store count: **1,028 drug stores, 30 convalescent aid centers, 13 deep discount stores**
Market: **24 states in the Midwest, South and Northeast**
Highlights: **HSI issued $80 million in high-yield bonds to buy Brooks Drug, and gain markets in 10 New England states. Despite the added debt, HSI said in SEC reports that it is meeting expenses with cash to spare.**

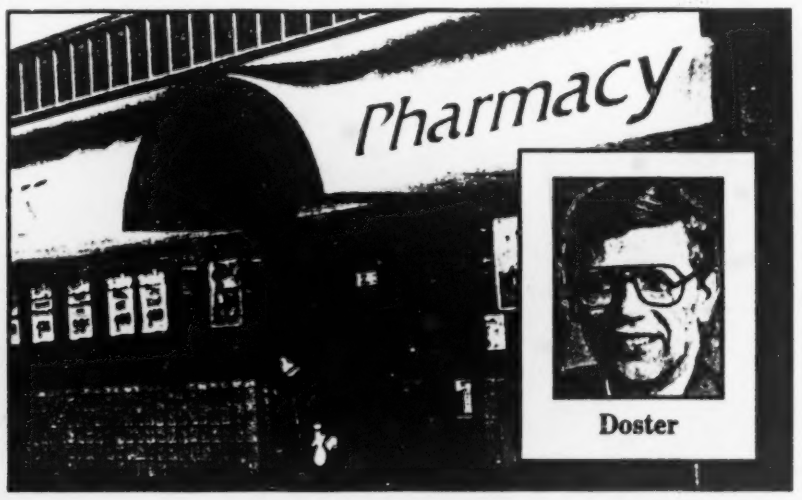


Hall



Hendren

HSI operates three diverse retail formats. Hooks (left) is headed by Newell Hall, SupeRx (above) by Gary Hendren and Brooks (below) by Gayl Doster.



Doster

By year's end, the Brook's buy looked more like a winner. . . HSI was meeting its expenses with cash from operations, according to reports.

HSI store count stays steady

1987*

SupeRx	313
Hook's	335
Brooks	361

1988**

SupeRx	323
Hook's	357
Brooks	348

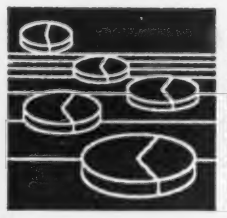
*Numbers don't include 24 Hook's convalescent aid centers and 12 Drug World deep discount stores.

**Doesn't include 30 Hook's aid centers and 13 Drug Worlds.

Source: Company reports

Brooks buy propels HSI to top 5 in store count

Philip Beekman
chairman, HSI



CINCINNATI — Hook-SupeRx, Inc. has become the fifth-largest drug chain in store count with its $80 million purchase of Brooks Drug.

The acquisition—which came 18 months after a management group bought HSI from Kroger—gave HSI an immediate presence in 10 Northeastern states. And it propelled HSI close to the top 10 in sales.

The takeover seemed daring on two counts: HSI was already loaded with debt from its $415 million leveraged buyout, and Brooks suffered a $3.5 million net loss in its fiscal year ended Jan. 2, 1988. HSI then financed the deal with 13 percent bonds, which mounted interest burden on top of debt payments due on its initial LBO $125 million bond sale.

HSI even said at the time that cash flow from SupeRx and Hook would most likely have to service Brooks' financing, and said it couldn't rule out selling assets to meet obligations.

On the plus side, though, HSI saw a chain with favorable locations and a strong management team that had been in place several years and was already upgrading Brook's image. Gayl Doster, a former cfo at HSI, was named Brooks president.

By year's end, the Brooks buy looked more like a winner. At least HSI was meeting its expenses with cash from operations, according to reports it filed with the Securities and Exchange Commission. It reported it had $798,905 cash at fiscal year-end Aug. 31, 1988. In the new year's first quarter ended Nov. 30, it added $1.69 million more, ending with a $2.5 million cash balance.

Sales in the year ended Aug. 31, including two-and-a-half months of Brooks sales, were $1.3 billion. Sales for the first quarter ended Nov. 30 were $413.4 million, compared with $277.6 million in the comparable period.

"Although there can be no assurance, it is the present intent of the company to fund future debt service requirements . . .from cash generated from operations," HSI reported in December.

HSI recorded net losses on paper after applying non-cash charges stemming from depreciation of assets which were written up for the LBO. The losses allowed tax loss carryforward credits of $150,850 in the first quarter, and a $329,576 credit for the 1988 year.

HSI continued to refine operating regions between Hook and SupeRx: Hook took over SupeRx Michigan stores, and SupeRx took control of Hook units in western Ohio, to eliminate duplication of efforts.

Hook's smaller stores of 7,500 square feet have high prescription sales, and dominate their markets. SupeRx stores are generally 10,000-square-feet, with a conventional gondola format and center seasonal aisle. It does operate six stores with racetracks. All are equipped with POS registers with electronic price look-up.

Brooks closed or sold unproductive stores, and ended the year with 348 units. Of these, 278 have pharmacies. In a significant personnel move, Bill Welsh, former NACDS executive director, came aboard as vp-administration.

HSI ended the year with 1,071 stores, including 357 Hook's, 323 SuperRx's, and 348 Brooks', as well as 30 Hook convalescent aid centers and 13 Drug World deep discount stores.

Arbor hot on Perry's heels as its profits head skyward

TROY, Mich. — If Walgreens is the benchmark for success in the chain drug industry, Arbor Drugs has cut a notch or two of its own with a similar formula for achievement.

Like its much larger counterpart, Arbor has developed and refined a high-volume, basics-oriented drug store format remarkably in tune with the needs and desires of its customers. Also like Walgreens, it has matched its success in merchandising and marketing with the kind of disciplined operating systems and managed growth that have allowed profits to keep pace with rising sales.

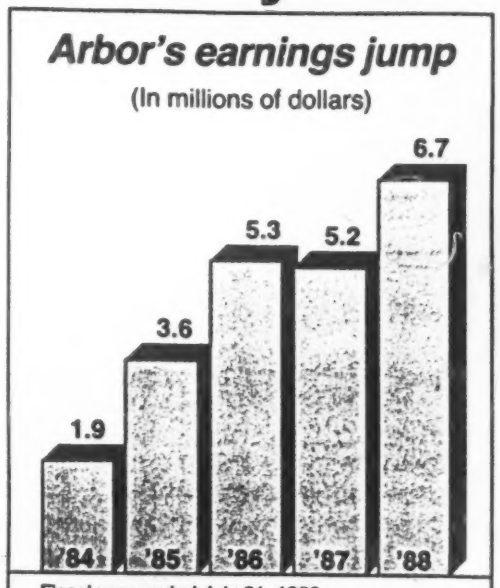
In Arbor's case, profits are growing even faster than sales. Fiscal 1988 saw net income shoot up 29.3 percent, to $6.7 million, on a sales increase of 14.5 percent, to $246.5 million.

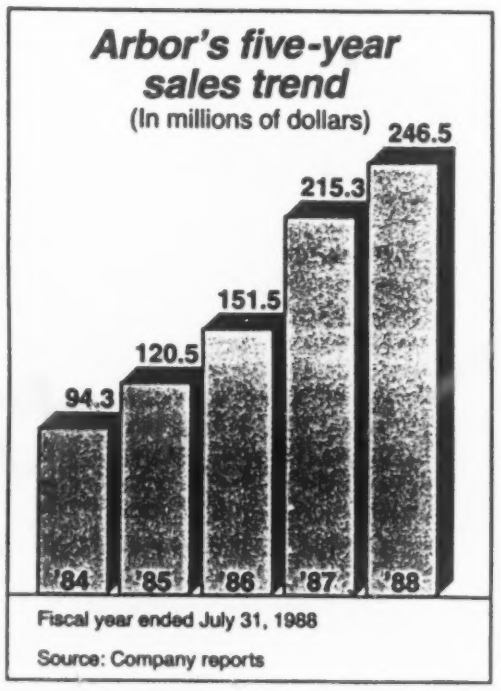
The first half of fiscal '89 has been even better, with sales up almost 23 percent and net profits up 30.6 percent. Comparable-store sales shot up a healthy 14.1 percent.

Those gains reflect a steady increase in market share in metro Detroit and southeastern Michigan. Arbor's share of drug store sales in that market jumped from 13.5 percent in 1986 to 19.5 percent in 1988, according to Metro Market Studies. In the same period, Perry Drug Stores' share rose from 18.2 percent to 21.7 percent.

Arbor reaped those rewards by patiently cultivating its southern Michigan home market, and by sticking firmly to a set of operating guidelines laid out by founder and chairman Eugene Applebaum and president Markus "Max" Ernst.

Those guidelines include a tightly focused merchandise mix, including strong presentations in all basic drug store categories as well as liquor; stores that are squeaky clean, well-stocked and attractively designed; an everyday low-price strategy that gives Arbor stores a value image without sacrificing profits; a firm adherence to disciplined operating and merchandising systems; steady, manageable growth; and clear advancement opportunities for employees.





Arbor continues to cultivate its home market. Comparable-store sales are up 14.1%.

Arbor Drug at a glance

Name: **Arbor Drugs, Inc.**
Headquarters: **Troy, Mich.**
Officers: **Eugene Applebaum**, chairman and ceo; **Marcus Ernst**, president and chief operations officer.
Sales: **$246.5 million**
Store count: **83**
Store size: **10,400 square feet**
Market: **Southeastern Michigan**
Highlights: **Record sales and earnings; move to new headquarters building and new, 233,600-square-foot distribution center; new systems installed to handle growth; pharmacy sales breakthroughs; planned expansion into Saginaw and Midland, Mich.**

Arbor's recent sales and earnings breakthroughs also owe much to the growing maturity of its newer and acquired stores, and to the improvement in its in-stock situation thanks to a much larger, highly automated distribution center which went on line early last year.

A 36 percent increase in pharmacy volumes in fiscal '88 also spurred sales. In the past three years, Applebaum said, the pharmacy portion of Arbor's business has jumped from 25.2 percent of total sales to 34.6 percent. Stores open at least one year now generate pharmacy sales of more than $1.1 million, and fill about 200 scripts a day.

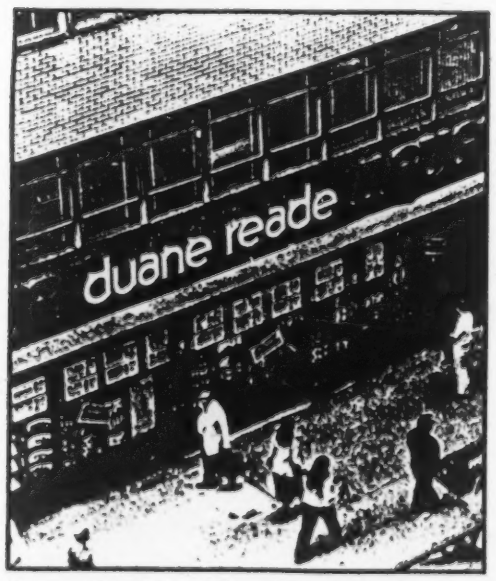
Arbor markets heavily to third-party customers, and accepts every major insurance plan in its market. With third party now accounting for more than 60 percent of its total pharmacy sales, Arbor is trying to cut administration and eligibility costs by establishing on-line computer links between its pharmacies and major third-party contractors.

Applebaum's stated mission for Arbor could come straight out of a textbook on successful retailing. "Our short, intermediate and long term goals share the same mission: meaningful and profitable growth through a professionally managed, highly disciplined chain drug store operation," he noted in the last annual report.

Arbor's goal, Applebaum says, will be to continue to exceed the industry average in annual per-store sales (Arbor's current average is $3.3 million); raise its sales per square foot averages; and increase profitability through its highly focused brand of retailing.

Duane Reade gets back on New York growth track

LONG ISLAND CITY, N.Y. — After a year of consolidation, the 30-unit Duane Reade chain is hoping to open another four or five stores over the next two years.



Duane Reade's will maintain its Manhattan focus as it develops new stores of 5,000 to 7,000 square feet.

At least two sites have been finalized for 1989, and both are opening this spring.

Duane Reade, which has some stores as small as 3,000 square feet and others as large as 8,000 square feet, is also looking now for sites in the 5,000- to 7,000-square-foot range.

Management says that the company needs at least 5,000 square feet to maximize volume potential, and that 7,000-square-foot formats enable the chain to add such growth departments as coolers filled with single-serve beverages, paperback books, convenience foods and greeting cards—all of which are being expanded or added to its larger stores.

In 1988, Duane Reade finished installing pharmacy computers chainwide. The focus this year will be on developing a direct store delivery (DSD) inventory control system.

The company is now researching equipment, but a source said that management hopes to have a DSD system in place "within the year."

Currently about 85 percent of the merchandise Duane Reade sells comes through its 155,000-square-foot distribution center. A DSD program would supplement the movement reports now coming from the warehouse, improve control over inventory and turns, and generate considerable savings.

Concurrently, Duane Reade is adding 30,000 square feet to its warehouse.

They'll take Manhattan

All but one of Duane Reade's stores are in Manhattan, where management intends to concentrate its future growth. About one-third are in the downtown financial district, where the chain's first store opened 32 years ago on Broadway between Duane and Reade streets.

The rest of the stores are in midtown; management believes that both areas are perfect for Duane Reade's type of operation.

A typical Duane Reade store averages between $5 million and $6 million a year, with sales driven largely by street traffic and passersby. The core shopper is a woman office worker, and she typically takes advantage of Duane Reade's convenient locations and low everyday prices to buy everything from prescriptions through cosmetics, convenience foods, paperback books and cigarettes.

Duane Reade at a glance

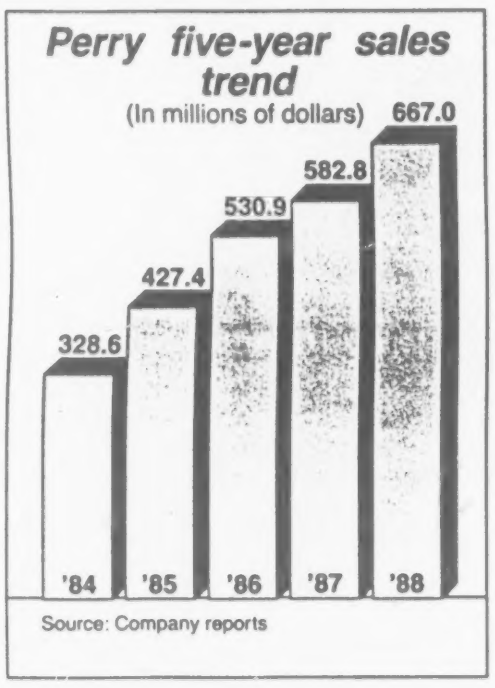
Name: **Duane Reade**
Headquarters: **Long Island City, N.Y.**
Officers: **Ell Cohen**, president; **Abraham D. Cohen**, chairman
Sales: **$200 million**
Store count: **30**
Average store size: **5,000 square feet**
Market: **New York City**
Distribution: **85 percent of mix through 155,000-square-foot distribution center**
Highlights: **In 1988, Duane Reade completed installing pharmacy computers in all stores; remodeled five stores; expanded mix in larger stores to include greeting cards, paperback books, convenience foods, and cooler beverages. Management also added a thinning hair treatment section to hair care and began experimenting with a set for franchised skin treatment.**

Annual Report Part I: Perry, Big B profiles

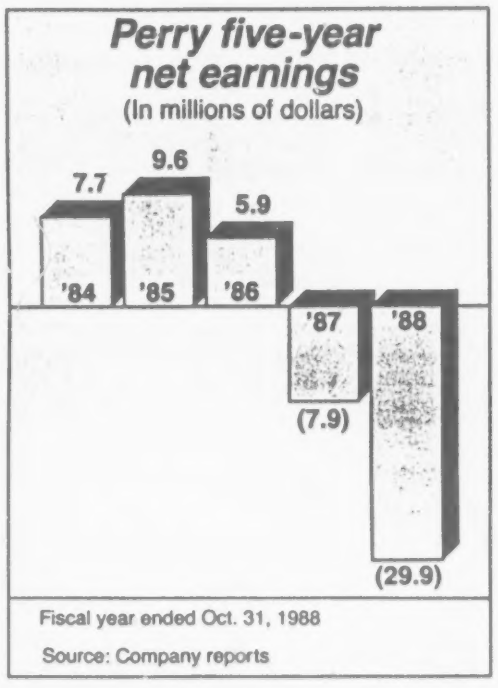
Revamped cosmetics department is key component of Perry's new format.

Perry Drug Stores at a glance

Name: **Perry Drug Stores**
Headquarters: **Pontiac, Mich.**
Officers: **Jack Robinson,** chairman and ceo; **David Schwartz,** president and chief operations officer.
Sales: **$667 million**
Store count: **222**
Average store size: **12,000 square feet**
Market: **Michigan, Illinois, Indiana, Wisconsin**
Highlights: **Finished building new management team; launched new store prototype; computer system enhancements; reduced operating costs; revised strategic plan in favor of profitability and improved market share; revamped private label, cosmetics and photofinishing programs.**



Source: Company reports



Fiscal year ended Oct. 31, 1988

Source: Company reports

Perry hits the long road back to profitability

PONTIAC, Mich. — The buyout rumors have died down, but stock in Perry Drug Stores continues to trade at the upper end of its 12-month trading range. The reason may be more fundamental than takeover speculation: analysts and investors are sensing a gradual turnaround in Perry's fortunes as it recovers from two years of losses and restores profits.

Michigan's largest drug chain is struggling—with apparent success—to regain its momentum after a prolonged and painful slide into the red. Perry hit bottom last year, suffering a net loss of nearly $30 million, on top of a $7.9 million loss in fiscal 1987. That figure included a one-time charge of $23.4 million from the sale of its auto parts division, as well as losses from continuing operations.

Perry suffered from a host of problems. Debt load was heavy, thanks to years of aggressive expansion at the cost of basic business.

A costly inventory adjustment program crimped margins as Perry shed some general merchandise categories not traditionally found in drug stores. Same-store sales were stagnant as feisty competitors like Arbor Drug gobbled up market share. Operating and health care costs for employees shot up. Stores began to look stale, with an out-of-focus merchandise mix and image.

At the recent annual meeting, Perry chairman and chief executive Jack Robinson didn't mince words. "I've been to business hell and back, and our management's been there and back," he said. "None of us want to go back there."

Robinson, president Dave Schwartz and other Perry executives have taken a number of steps—some painful—to make sure they don't have to. One of the biggest was the creation of a totally new management team over the last two years to move Perry beyond its entrepreneurial beginnings, and into a new, more sophisticated era of professional management.

Members of the new team

The new team includes president and coo David Schwartz and senior vp-store operations Gary Allen, both formerly of Albertson's; executive vp and cfo Richard Barker; vp-information systems Vick Melancon; vp-marketing David Green; and vp-finance J. Stuart Newton.

The sale of the auto parts stores was a key move, and marked a sweeping return to basics in Perry drug stores as well. Last year, Perry unveiled a dramatically redesigned store format built around key core departments, including pharmacy, cosmetics, stationery/office supplies, OTCs and photofinishing. This "store of the '90s" is the prototype for a rapid chainwide store renovation program.

Perry is also enhancing its computer systems to improve inventory and pricing controls, third-party programs and strategic information. Part of that effort is the ongoing installation of new, more powerful pharmacy computers chainwide.

Perry has also cut operating costs, improved its store- and management-level training programs, launched new ad campaigns to restore its image, and hit hard at improving its customer service.

"The results of all our efforts have made us a leaner organization; a more efficient company; a company with stronger management; with better controls; and a sharper vision," said Robinson.

"Continuing to improve our profitability is Goal No. 1, 2, 3 and 4," added Schwartz.

Big B storms Atlanta, opens 200th store in 20th year

BESSEMER, Ala. — Big B celebrated a banner year in 1988, reaching such milestones as its 20th anniversary and the opening of its 200th store.

Perhaps more significantly, Big B blasted into Atlanta for the first time when it bought 85 Reed drug stores from Peoples in February. That grew the chain in one fell swoop to 297 stores and over 2,400 employees. It is Alabama's largest chain.

In the fiscal year ended Jan. 28, Big B posted a 9.1-percent sales gain to $271.3 million, and net earnings rose to $7.2 million.

Throughout the year, Big B's management has focused sharply on its drug operation since selling five combos in 1987's fourth quarter to Bruno's, the former parent of Big B.

This clear vision better enabled Big B to grab the Reed opportunity, which instantly gave the chain the second-leading market share in Atlanta and good presence in Columbus, Ga. The price tag: $60 million (Canadian), or about $50 million.

The 85 stores generated $110 million in annual sales, but were losing money. Turning them around and absorbing $5 million in interest costs to finance this deal will hurt Big B earnings this year, according to one analyst *Drug Store News* spoke to at the time of the purchase.

Positive outlook

"Beyond that, the outlook should be very positive. Big B's expansion is coordinated, they use resources well and execute in better-than-average fashion. They can handle it," he added.

Arthur Jones, Big B's executive vice president, told *Drug Store News* that all of the former Reed stores will be renamed Big B by the end of this month.

That purchase came on top of 21 new drug store openings during the fiscal year, including the chain's 200th in Birmingham, Ala., last October. At fiscal year-end, the chain also operated five freestanding home health care stores, and 11 Drugs for Less deep discount drug stores.

The chain has also acquired three stores since year-end that are located in Tallahassee, Fla.

Big B opened its 200th store in Birmingham, Ala., last Oct. 19. The store featured interior neon signage and POS scanning checkouts.

Big B at a glance

Name: **Big B**
Headquarters: **Bessemer, Ala.**
Officers: **Anthony J. Bruno,** president; **Joseph S. Bruno,** chairman
Sales: **$271.3 million,** a record
Store count: **209,** for fiscal year ending Jan. 28, 1989 (204 drug stores and five freestanding home health care centers.)
Average store size: **10,000 square feet.**
Average store selling space: **8,000 square feet**
Market: **Ala., Ga., Fla., Miss., Tenn.**
Highlights: **Bought 85-unit Reed Drug from Peoples, raising store count to 297**

Annual Report Part I: Genovese, Drug Emporium profiles

Genovese sets records; eyes 10% new store growth

MELVILLE, N.Y. — Genovese Drug Stores capped a busy and successful year with record sales and earnings.

The family-guided regional chain achieved sales of $366.4 million for fiscal '89, a 17 percent increase over fiscal year '88, and net income rose to $5.5 million. Comparable-store sales increased 11.3 percent this year over last. "It was a good year for us—an exciting year," said Don Gross, vp-marketing.

Genovese's year was highlighted by accolades—it received *Drug Store News*' REX Small Chain Award—and entry into deep discounting with its Great American Drug Store, which opened in October in Carle Place, Long Island.

Chairman Leonard Genovese said he expects the 15,500-square-foot store to generate at least $4 million the first year, with $10 million to $12 million the eventual goal, because of the area's "affluent, dense population."

Including the deep discount venture, Genovese opened seven stores during the year, for a total count of 90 by the Feb. 3 year's end. It plans to open new units at a rate of 10 percent of total store count yearly, with a similar rate for renovations and enlargements.

The chain's 91st and 92nd stores were unveiled on Long Island in March in North Babylon and Yaphank. Four more stores are scheduled to open from late April through June, in Mt. Sinai and West Babylon (Long Island) and Carnarsie and Brighton Beach (Brooklyn).

The chain also significantly expanded its distribution center, from 155,000 to 265,000 square feet, which has "contributed dramatically" to Genovese's in-stock position, said Gross.

In addition, the chain has moved forward with automation: Seven stores were equipped with register scanners by year's end, and plans are to have the majority of stores up on POS in about two years.

All of Genovese's pharmacies are computerized, and the "next generation of pharmacy computers" has been installed in about one-third of those. "They're faster, more accurate and better with third party," Gross noted. Genovese also enlarged and modernized its headquarters computer system.

Pharmacy, which accounts for about 24 percent of total volume and generates an average 175 prescriptions daily per store, is increasingly emphasized. Genovese stresses its Gen-Care Health Network in regular fliers and print ads to enhance its health care image.

During 1988, Genovese also stepped up its advertising, coupon book and Christmas catalog programs, as well as special event promotions, such as its Buyers' Best Sale Days. "We've improved what and how we're promoting," said Gross.

Busy cosmetics/fragrances counter in Genovese's Albertson, N.Y., store has trained employee to help customers in selection.

Years ended Feb. 1, 1985; Jan. 31, 1986; Jan. 30, 1987; Jan. 29, 1988 and Feb. 3, 1989.
Source: Company reports.

Genovese at a glance

Name: **Genovese Drug Stores**
Headquarters: **Melville, N.Y.**
Chairman and president: **Leonard Genovese**
Sales: **$366.4 million;** net income: **$5.5 million**
Store count: **90**
Average store size: **12,000 square feet**
Market: **New York, New Jersey, Connecticut**
Highlights: **Achieved record sales and earnings for fiscal year '89; opened its first deep discount store, the Great American Drug Store.**

Drug Emporium goes public; emphasizes franchises

COLUMBUS, Ohio — With approximately 69 corporate and 99 franchise stores generating an estimated $880 million in sales for fiscal 1989, Drug Emporium is the biggest and one of the brightest stars in the deep discount drug store firmament.

The father and son operation that opened its first store in 1977 went public in June 1988 with an offering of 1.725 million shares at $14.50 per share. (There were 6.3 million shares outstanding as of Nov. 30.) The chain declared a 10 cent annual dividend—its first since going public—in the fall.

Going public enables the deep discounter to raise cash for expansion, remodeling and technological advances.

Drug Emporium's net income tripled from fiscal 1987 to fiscal 1988 and continued strong growth in 1989, increasing 72 percent for second-quarter '89 and 40 percent for the third quarter. Sales were up 14 percent at stores that were open for the full nine months of both 1988 and 1989.

Net sales for the first nine months of fiscal '89 were $629.6 million, of which company-controlled stores generated $294 million in sales and franchise stores, $335.6 million.

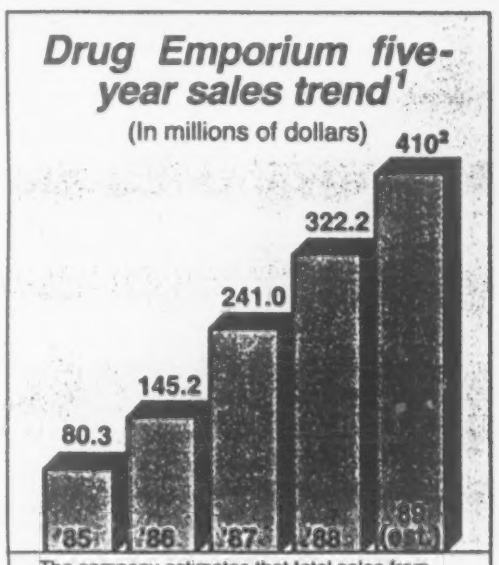
Franchised operations account for nearly 60 percent of total Drug Emporium locations. Twenty-five franchise stores and 11 company units opened during fiscal 1989. Many of the franchise units opened in new markets for Drug Emporium, including three stores in Dayton, Ohio; two in Albuquerque, N.M.; two in Oklahoma City; and one each in Omaha, Neb.; Houston; Appleton, Wisc.; Winston Salem, N.C.; Little

Drug Emporium plans to open 30-40 stores during 1989: 13-16 will be company-controlled and 17-24 will be franchise units.

Vp-franchising Patrick Hiller said the company anticipates strong franchising activity in the Northeast in 1989, citing northern New Jersey, some New England markets and the New York A.D.I. (area of dominant influence for television signals) as likely areas.

In June, Rich Landers was appointed vp-marketing, a new position at Drug Emporium that reflects a perceived need to differentiate between merchandising and marketing as the chain grows. Drug Emporium recently rolled out new in-store point-of-purchase signage to point up its message of everyday low prices and wide merchandise selection.

In addition, the chain switched advertising agencies and developed new television and radio commercials, which are airing in all eight corporate markets and in franchise markets that



The company estimates that total sales from company-controlled and franchised stores will be $880 million this year.

1. Company-co. trolled stores.
2. Fiscal year ended Feb. 29th

Fiscal year ended Feb. 28
Source: Company reports

Drug Emporium at a glance

Name: **Drug Emporium**
Headquarters: **Columbus, Ohio**
Officers: **Philip Wilber,** chairman and ceo; **Gary Wilber,** president and chief operations officer
Sales: **$880 million (est.),** of which **company-controlled stores reported $410 million (est.)**
Store count: **69 company-controlled; 99 franchise**
Average store size: **25,000 square feet**
Market: **Ala., Ariz., Calif., Fla., Ga., Ind., Kans., Ky., La., Md., Minn., Mo., N.J., N.M., N.C., Ohio, Okla., Pa., S.C., Tenn., Tex., Va., Wash., W.Va., Wisc.**
Highlights: **Made initial public offering of 1.7 million shares of common stock June 30, 1988; opened approximately 25 franchise stores, several in new markets, and 11 company-controlled stores during its fiscal year.**

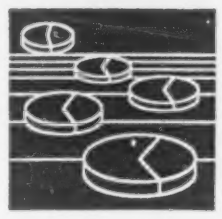
Drug Emporiums typically have 10 checkouts, as here. The chain recently began hon-

Annual Report Part I: Fantle's profile

Fantle's redeems Dart units with service, controls, good taste

Fantle's Drug Stores (Dart Drug Stores) at a glance

Name: **Fantle's Drug Stores (formerly Dart Drug Stores)**
Headquarters: **Landover, Md.**
Officers: **Sheldon "Bud" Fantle**, chairman; **Jeffrey Fantle**, president
Sales: six-month sales, **$89 million** (ending Jan. 28, 1989); fiscal year-end sales **$218 million**
Store count: **69**, exclusive of **5 Total-Plus deep discount stores** in Richmond, Va.
Market: **Virginia, Maryland** and **Washington, D.C.**
Highlights: **All Dart Drug Stores were renamed Fantle's Drug Stores** in April, except three stores already operating under that name and five Total-Plus stores in Richmond.



LANDOVER, Md. — Dart Drug Stores is history. Sheldon "Bud" Fantle, in Month 17 since gaining control of the chain, has renamed it Fantle's and unleashed a multi-pronged program to breathe new life into the 69-store operation.

Competing against better-resourced Peoples, Rite Aid, Giant, Safeway, Drug Emporium and F&M, Fantle's niche will be customer service, high taste levels in store decor and merchandise, a reemphasis on pharmacy, and improved operations and merchandising controls. These directions bowed in Fantle's prototypes, which opened last November.

All stores will eventually be remodeled after the "boutique-like" settings of the prototypes, which included broad drug and H&BA sections, fashionable cosmetics and major presentations of home office supplies, a Hallmark gift center, beer, wine and gourmet food. Fantle expects renovations to be completed within three years at a cost approaching $10 million.

Fantle's stores will all be remodeled in this upscale format within three years.

Another goal management considers vital is raising pharmacy's share of sales to 20 percent from its current 14-percent level. Pharmacy computers will be installed chainwide by June. All stores have POS and will eventually be equipped with scanning.

To help build shopper loyalty, Fantle's has launched The Good Neighbor Fund, an aggressive charities program where the chain donates 5 percent of the amount on redeemed sales receipts to charities and nonprofit groups.

These efforts are meant to improve the chain's fiscal fortunes. Total sales in the fiscal year ended July 31, 1988 were $218 million, down from $265 million in the year-earlier period. Net sales for the first six months of fiscal '89 fell 25.6 percent, to $89 million from $119.7 million, in the same half a year ago. The fiscal '89 decrease was attributed to the eleven leasehold interest sold in 1988, the liquidation of home center-related merchandise, and the deemphasis of certain categories which were highly promoted the previous year.

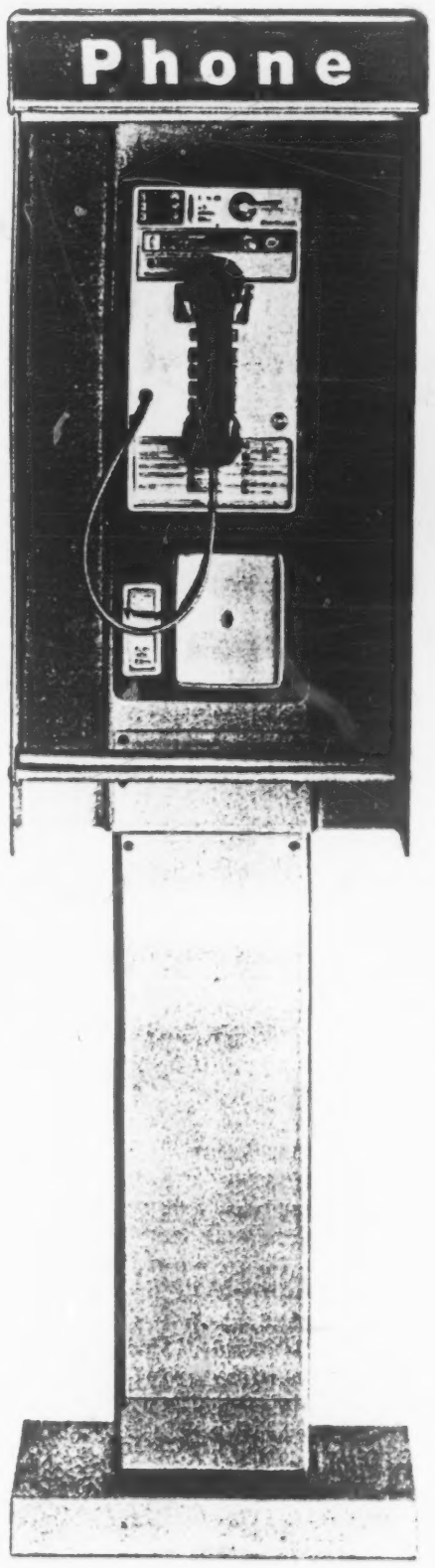
Fantle's reported a net loss of $9.4 million for the first six months of fiscal '89, compared to a loss of $6.4 million for six months of fiscal '88. Cash flow from operations has been negative through January 1989.

However, the sale of the leasehold interest for $30.5 million in cash during '88's third and fourth quarters enhanced Dart's working capital and liquidity. And an estimated additional $5.2 million in cash was generated by a rights offering to stockholders and a private placement.

A management team, largely recruited by Bud Fantle and president Jeffrey Fantle, is moving forward with ambitious plans to make Fantle's a more formidable competitor. To help fund them, a fiscal restructuring that would defer interest payments and improve cash flow may be offered this spring through Kidder Peabody.

"Every step we take is delicate," Bud Fantle said at a press conference announcing the chain's new strategies. "We've inherited a great debt, but we feel with our advisors, we can buy back the debt and reduce our obligations. We're working on a master plan, and we have a better than average chance of being able to do what we'd like to do on a restructuring basis."

They look the same, but one will give you less static.



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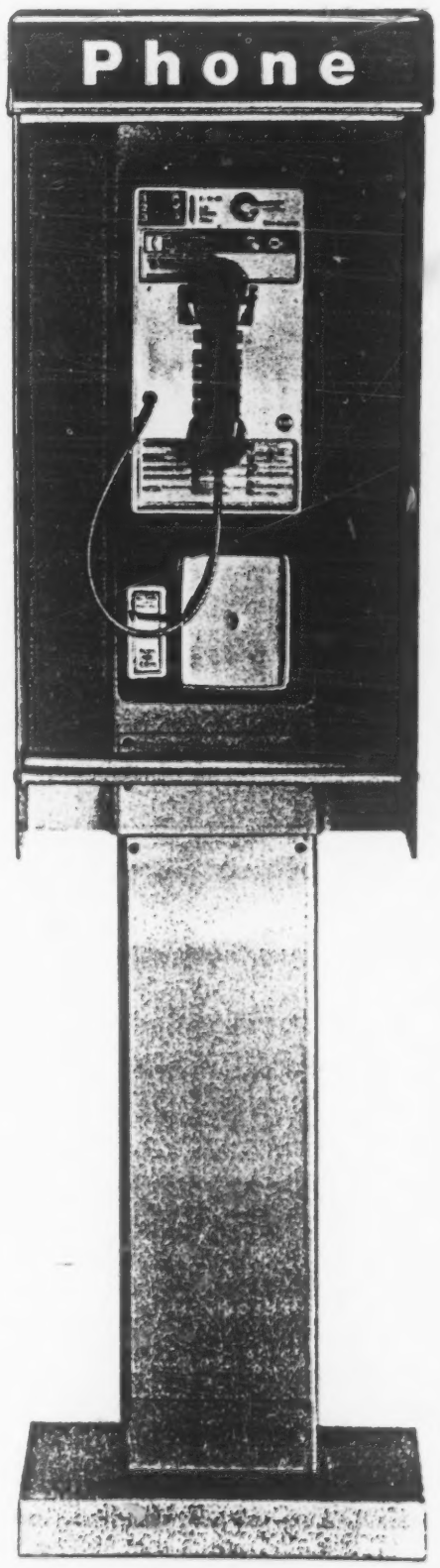

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Annual Report Part I: SuperRx/Medicare-Glaser profile

SupeRx remains undaunted by far-flung store network

PHOENIX, Ariz. — SupeRx Corp. is still a small drug chain by today's standards, and it is still a new company, in existence just a little over two years as an offshoot of Kroger Co.'s former drug store holdings. From all appearances, though, the company continues to behave as though it were many times its present size.

SupeRx has been on the acquisition trail almost from its inception, when former Kroger veteran Gerald Wolken led a buyout team that purchased 47 SupeRx drug stores from Kroger in 1987. The bulk of those stores were in the Phoenix market, with additional units far to the east in Georgia and Alabama.

Wolken was formerly president of Kroger's SupeRx division, but his $26.5 million deal represented only a small part of Kroger's divestiture program for its SupeRx and Hook drug stores.

Nevertheless, Wolken and his management team have pursued an aggressive and far-reaching growth plan from the beginning. Early on, SupeRx began acquiring additional units to build market base, including three former Walgreens stores in Alabama and seven other units in various locations. The chain also picked up three home health care centers in Arizona.

First year of operation

In its first full year of operation, SupeRx also developed and opened a new store prototype with a racetrack design, and began a rapid spruce-up program for all stores featuring a new color scheme and decor package. The renovations, including a new, boutique look and a more prominent store location for cosmetics, helped power sales to an estimated $100 million-plus in the fiscal year ended Feb. 27, 1989.

It also wasn't long before the company began a search for bigger game. SupeRx lost to Rite Aid in an unsuccessful bid for the Begley Co. last year, but by autumn hooked St. Louis-based Medicare-Glaser for $18.2 million. The deal, consummated in late March, gave SupeRx a strong base of operations in the Midwest and a toehold in Connecticut.

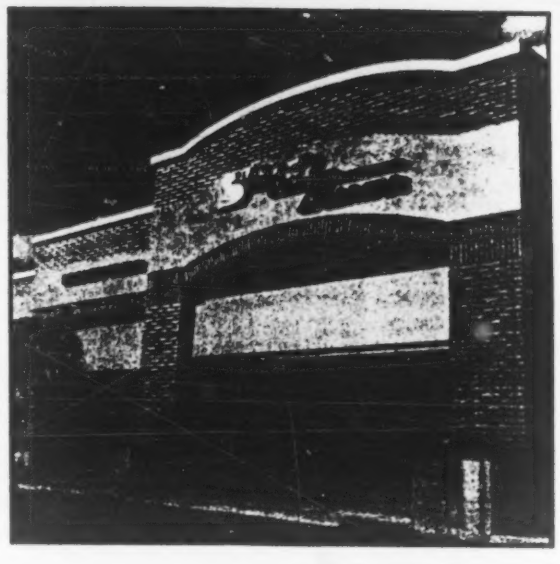
Wolken has indicated the company will aggressively pursue market share in St. Louis against market-leading Walgreens, both through improved store merchandising and operational programs, and through fill-in expansion in that city.

Early this year, SupeRx also entered the key Florida market by snaring five Florida Choice food stores and 13 liquor stores from Kroger. The stores, centered in the Naples area, extend the chain's reach in the Southeast, where it also has 12 stores in Alabama and 10 in greater Atlanta.

SupeRx executives appear undaunted by the chain's enormous geographic dispersion. Said Jim Jumpeter, vp-administration and chief financial officer, "It could be a problem if we weren't careful, but. . .all the officers here came from big chains operating in broad markets."

SupeRx Corp. at a glance

Name: **SupeRx of Arizona, Georgia and Alabama Corp.**
Officers: **Gerald Wolken,** president-ceo; **Jim Jumpeter,** vp-administration-cfo.
Sales: **$100 million** (estimated)
Store count: **100 full-line drug stores, 43 small retail pharmacies, five food stores, seven optical centers, five home health care centers, 14 liquor stores.**
Market: **Southwest, Midwest, Southeast, New England.**
Highlights: **acquired Medicare-Glaser; acquired Florida Choice units; extended store remodeling program.**



SupeRx operates in widespread markets, thanks to its discipline and big chain mentality.

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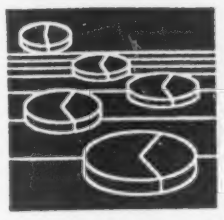
Annual Report Part I: Medicine Shoppe profile

MSI's sales growing at twice industry's pace

Medicine Shoppe at a glance

Name: **Medicine Shoppe International**
Headquarters: **St. Louis, Mo.**
Officers: **Jerome F. Sheldon**, president and ceo; **Mitchell Yanow, M.D.**, chairman
Sales: **$386.2 million**
Store count: **755**
Average store size: **1,072 square feet**
Market: **Franchises in 48 states**
Highlights: **Comparable store sales gains were twice the industry average, daily Rx sales per store were 20% higher than chain drug averages and 40% higher than independents. MSI increased OTC shelf space 50%.**



ST. LOUIS — Medicine Shoppe International has increased sales 15 percent this year to $386.2 million, about double the rate of increase of the drug store industry overall. With 755 stores currently in its network, Medicine Shoppe is the only drug retailer with operations in 48 states.

Medicine Shoppe opened 39 new locations during fiscal '88, a slow rate that had already picked up by the end of the period and is expected to reach its historic pace of 80 to 100 new stores in fiscal '89. The openings include newly franchised independents, converted formats and newly opened sites.

Jerome F. Sheldon
president and ceo

Converting existing stores to Medicine Shoppe formats is a new approach for the operation. Conversions take half the time to accomplish, and with many independents seeking to gain HMO, PPO and other third-party business, Medicine Shoppe is betting that many will be seeking the tutelage that conversion can afford, president Jerome Sheldon said.

"Chain stores and MSI consider a purchase opportunity for different goals: the chains want to get the store records and close it down," said Jeff Atkinson, vp-marketing and strategic planning. "We want to keep the store open."

The franchise operation has also instituted a new program under which successful, existing sites are bought and converted, then resold to a qualified buyer.

The operation, which some call a chain, while others label a franchise, has its eye on the aging market. Over 60 percent of Medicine Shoppe's business is generated by the over-45 market, which places MSI well to take advantage of the market created by the Medicare Catastrophic Act.

MSI's new managed health care group will be aggressively chasing HMO, PPO and other third-party business. New business has been obtained in 50 percent of MSI's operating area through the group's efforts.

Sales of OTC items have added to MSI's profits. New store layouts, which increase OTC shelving 50 percent, will further capitalize on the popularity of private label products.

Medicine Shoppe expansion pace is picking up again to close to 100 annually.

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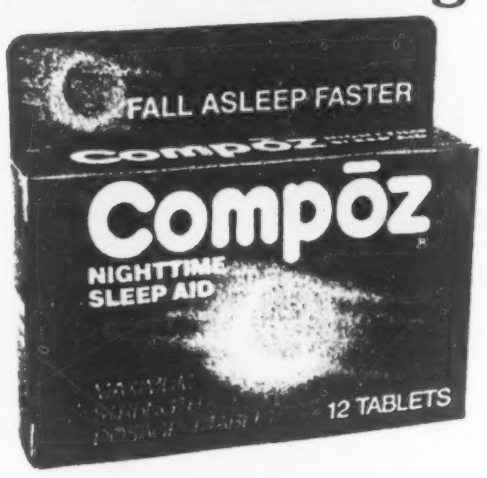

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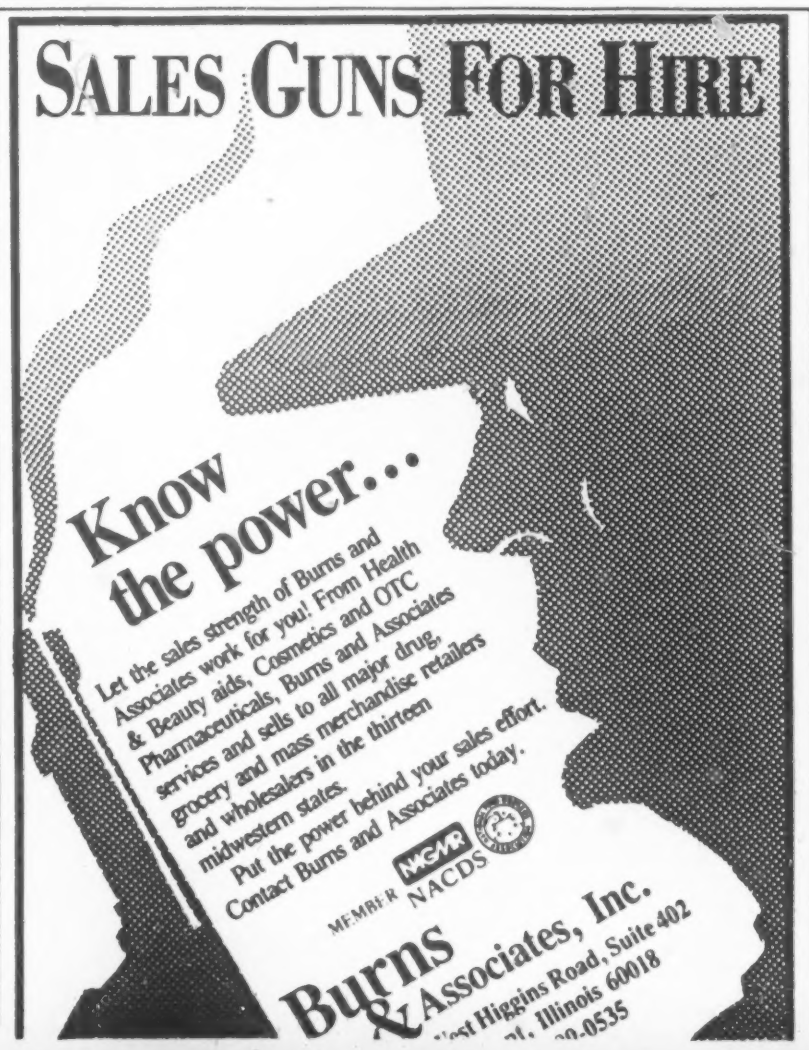
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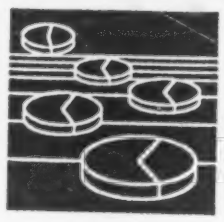
Super D's new leaders bank on multi-pronged growth strategy



MEMPHIS — Super D Drugs embarked on a fresh start after 17 managers purchased the drug stores in an estimated $55 million leveraged buyout last September.

The inside team bought the 101 stores from giant food wholesaler Fleming Co. after Fleming had purchased Super D's parent, the food wholesaler Malone & Hyde (M&H). Fleming wasn't interested in keeping a drug retail business, although it viewed the drug side as a profitable part of M&H.

Headed by Lasseter

That opened the door for the buyout, for which funding was lined up by Vestar Capital Partners, which has an equity position along with the managers. Don Lasseter, a pharmacist and former M&H executive vice president, became the new company's chairman and ceo.

Super D executives said the business will have more cash for growth now that it is independent from M&H, which had gone private in its own LBO in 1984.

The amount of LBO debt that M&H had allocated to the drug division was higher than the debt tab the drug company now carries as a separate entity, a company source explained.

There had been few funds left over for growth once the drug stores had paid their dues for the parent's buyout.

A year ago, Super D envisioned that a revamped franchise program would be the best—and least costly—growth route. It had planned to enlist up to 100 small independent operators throughout its markets as franchisees. The strategy could hold down capital spending, yet allow the drug side to preserve market share.

Plan was modified

That plan has been modified now into a multi-pronged growth strategy that curbs franchise growth somewhat, but will emphasize construction of new corporate-owned stores. Super D owns stores under the Super D, Petty's, Consumers, and Pay-Rite names, as well as Ike's deep discount stores.

Building from its base of 14 franchise stores operating as of last month, franchise management plans to open 10 to 12 units a year. It also plans to foray into Kentucky and Arkansas for the first time, and pursue a plan to franchise its apothecary-style Consumers stores.

One of the first new company-owned Super D's, meanwhile, is scheduled to open later this month in downtown Little Rock, Ark.; and Jackson, Miss.

The growth plans—combined with new capital improvements for stores' interiors and exteriors—should help safeguard the strong drug store and pharmacy share Super D has held in Memphis; Springfield, Mo.; Little Rock, Ark.; and Jackson, Miss.

Super D also remains strongly committed to its Ike's deep discount format, and plans to open three Ike's, all with pharmacies, in the next year and a half.

Super D at a glance

Name: **SuperD Drugs, Inc.**
Headquarters: **Memphis, Tenn.**
Officers: **Don Lasseter,** chairman and ceo; **Henry Beattie,** executive vice president, cfo.
Sales: **$165 million,** fiscal year ended Aug. 27, 1988.
Store count: **60 Super D's, 38 Petty's, three Ike's.**
Market: **Tennessee, Missouri, Mississippi, Arkansas**
Highlights: **A SuperD management team bought the SuperD drug stores from food wholesaler Fleming Co. for an estimated $55 million in September 1988.**

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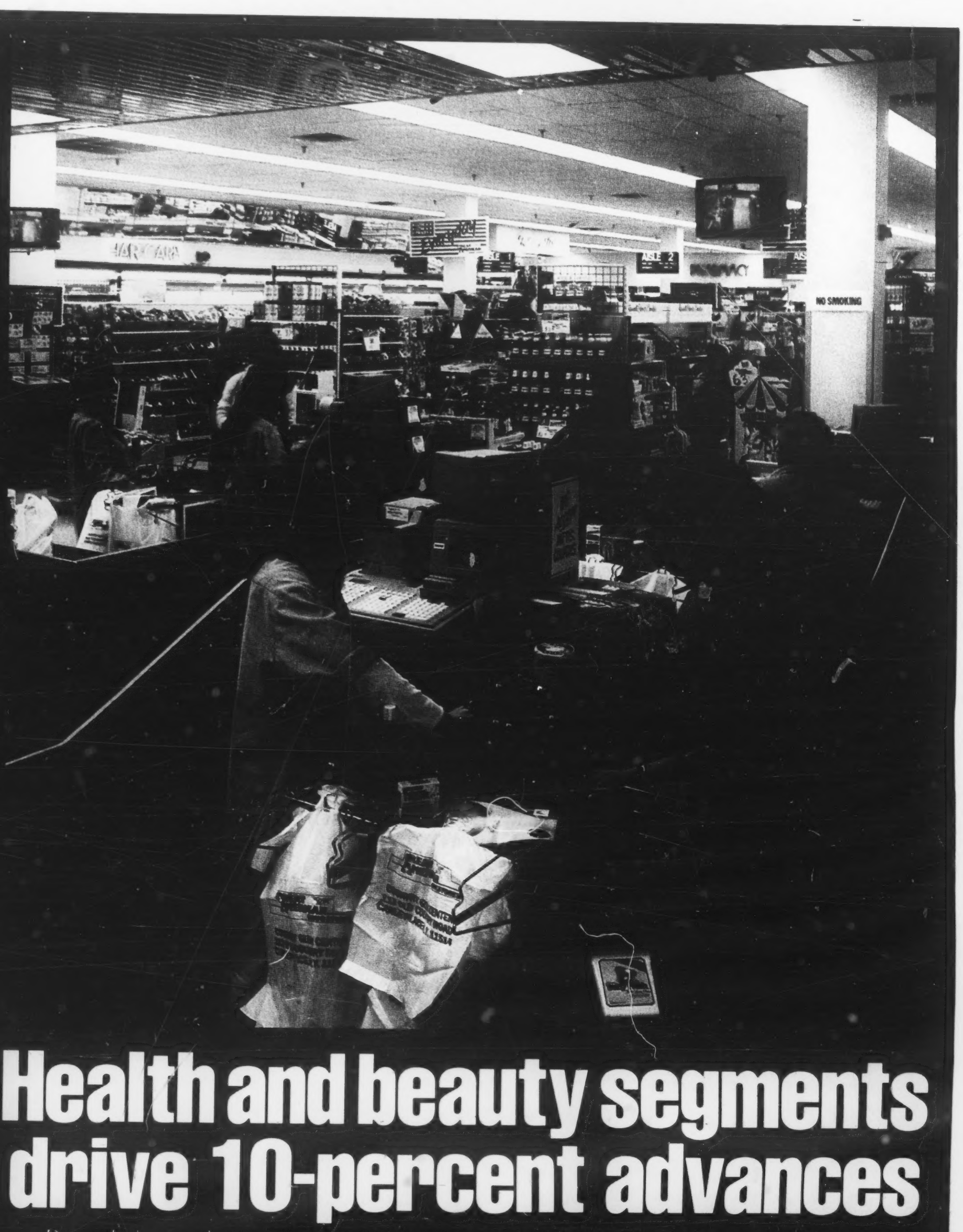
DRUG STORE NEWS®

SECOND CLASS

Vol. 11/No. 10 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. May 15, 1989

ANNUAL REPORT PART 2



Health and beauty segments drive 10-percent advances

Drug chain merchants can accurately point to a single overriding reason for their impressive double-digit sales gains this past year: A disciplined large-scale rediscovery of core health and beauty categories which keep them distinctive in the marketplace.

The 10 percent advance rung up by chain stores, to $36 billion in 1988, reflects aggressive efforts by retailers nationwide to reemphasize these departments valued most by convenience-minded customers. Among them: pharmacy, OTC drugs, toiletries and cosmetics. Many operators also found high productivity in such general merchandise as stationery, photo and candy, which do well in the quick-visit, high-impulse environment of a drug store.

Pharmacy, for example, led the charge with a nearly 14 percent increase in volume. The department contributes almost 30 percent of chain drug sales, and is steadily moving into an even higher marketing profile through patient consultations and

Continued on page 59

NEWS IN BRIEF

Perry names new CFO

PONTIAC, Mich. — Perry Drug Stores has named Jerry Stone to replace Richard Barker as senior vice president and chief financial officer. Barker has returned to Washington, D.C. to pursue other business interests, according to the company.

Stone, 57, last worked as vp-manufacturing and a member of the executive committee with Talon, an early investor in F&M Distributors. From 1980 to 1986 he was vp-finance and cfo for Kuhlman Corp., and he has also worked as a partner with Arthur Andersen & Co.

"Jerry Stone brings to Perry a wealth of financial experience with particular emphasis on retailing," noted Jack Robinson, Perry chairman and ceo.

Revco elevates Barone

TWINSBURG, Ohio—Revco D.S. has promoted Dante Barone to the new post of vp-pharmacy marketing, where he will continue to direct Rx buying, pharmacy-related marketing efforts and Rx computer systems development.

"Establishing an officer-level position in pharmacy marketing exemplifies Revco's commitment to developing pharmacy services that meet the diverse health care and information needs of our customers," said executive vp-marketing Jim Adamson.

Barone, 45, was a senior buyer and 25-year veteran at Walgreen Co. before joining Revco last year as divisional vp-pharmacy marketing. At Walgreens, he was in charge of all pharmaceutical and home health care purchasing, and earlier worked as a buyer and pharmacist for the chain.

O&M to buy hospital DC operator

RICHMOND, Va. — Owens & Minor has reached a definitive agreement to purchase National Healthcare & Hospital Supply of Orange, Calif., which operates eight medical/surgical distribution centers in western states. National Healthcare's annual sales exceeded $250 million.

The transaction, subject to regulatory approval, will advance Owens & Minor's efforts to deliver greater efficiencies in the medical supply market and increase its market coverage.

In a separate matter, Owens & Minor announced relocation of its corporate headquarters to the Innsbrook Corporate Center, 4800 Cox Road, Richmond, Va. The wholesaler's previous street address was 2727 Enterprise Parkway in Richmond.

Coach Holtz to address McK execs

PHOENIX — Leo Holtz, head coach of the 1988 national champion Notre Dame football team, will be the keynote speaker at McKesson's annual National Management Conference here May 20-24.

Cover photo: Genovese's Great American Drug Store, Carle Place, Long Island.

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Pharmacy at the Irving Park Road Jewel-Osco is set within an alcove at the right rear corner to anchor the non-food side of the store.

New Jewel-Osco combos feature a massive cosmetics presentation on a wide power aisle, with a service counter and recessed lighting for in-line pegboards.

Customers at the Dunning Plaza store on Irving Park Road were treated to free makeup consultations and mini-facials in the cosmetics department.

In-line sections and perimeter departments are clearly marked in Osco stores, with suspended signing and updated graphics.

Like other service departments, the photo counter at the front of the store did a brisk business on opening day.

American draws big crowds as Chicago Jewel-Oscos debut

CHICAGO — With grand opening circulars, price specials and giveaways luring big crowds, American Stores held grand openings for two new Jewel-Osco combo stores here in late April. The openings give Osco nearly 150 drug stores—both freestanding and combo—in the greater Chicago area.

At the openings, Terry Hanson, American Drug Stores president, reaffirmed the company's commitment to combo retailing. "Our goal is to open combos wherever possible, and we wouldn't close a pharmacy in a Jewel-Osco even if it didn't do well."

The newest stores, which opened within a week of each other on Chicago's northwest and southwest sides, contain all the earmarks of the two-year-old Jewel-Osco prototype. That format blends the bright color schemes and decor of both Osco and Sav-on drug stores, and includes a number of recent innovations on the drug side of the store.

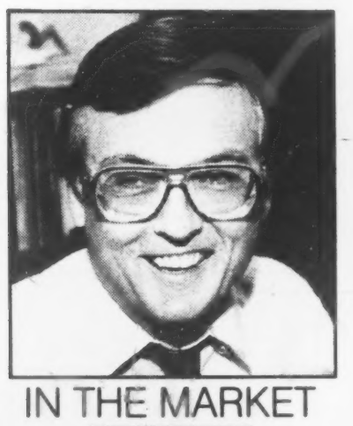
Among them: a prominent, center-aisle service cosmetics department running the full length of the store; a large pharmacy within an alcove at the rear, complete with a patient waiting area and fronted by a wide power aisle; bold, suspended department signs that clearly set off perimeter sections; and a prominent photo service section at the front of the store.

"We've taken the best of both Osco and Sav-on and put them together," said Stephen Mannschreck, vp in charge of Osco's Chicagoland region.

On the grocery side customers are exposed to a variety of service boutiques for deli, seafood and other items.

OPINION

What's in a name? Only an identity. . .



IN THE MARKET
BRUCE BUCKLEY

What's in a name? Plenty.

American Stores' decision to restore the primacy of the Sav-on name in Southern California, Nevada and Arizona after trying to blend the 175-store Sav-on into a single nationwide chain of Osco stores is one more example of the perils of tampering with long-established identities.

Tinkering with fading names, package designs or tastes is one thing. But playing around with a product name or a company identity that has a long history of success with consumers and continues to project a strong, clear image can be fatal.

Coca-Cola's brief flirtation with a new, substitute taste for its traditional drink showed just how damaging such decisions can be. The reaction of loyal Coca-Cola drinkers was loud and swift. But the company had the presence to turn what could have been a disaster into a marketing triumph by restoring the traditional taste in its Coca-Cola Classic.

I suspect a less violent reaction from Southern California consumers to American Stores' original logo change, which saw Sav-on become a virtual footnote to the bold and dominant Osco. But their message to American Stores must have been less "laid-back" than we have come to expect from Southern Californians.

The company isn't giving out any specifics on why it decided once again to elevate the Sav-on name to full stature, but it seems likely that the main reason was that consumer coolness to the unfamiliar Osco name was reflected at the cash register.

American Stores and its Osco drug chain (now called American Drug Stores) are spending a bundle of money to reintroduce the Sav-on name to Southern California consumers. The investment will be well worth it if it restores and reinforces Sav-on's strong regional identification with its customers.

Playing around with a product name or a company identity that has a long history of success with consumers and continues to project a strong, clear image can be fatal.

And like Coca-Cola's masterful stroke, the end result could turn out to be an even more powerful statement.

* * *

Speaking of name changes, the news of the pending retirement of David Mahler, Lebhar-Friedman's editorial director and a force in the chain drug industry for many years, brings to mind the decision of more than a decade ago to change the name and format of Lebhar-Friedman's drug publication. Mahler, a strong-minded individual with a sure sense of reader needs, was influential in transforming *Chain Store Age (Drug Edition)*, a highly successful monthly magazine, into *Drug Store News*, a bi-weekly newspaper.

The change was as risky as American Stores' later transformation of Sav-on to Osco. Editorial experts say that you don't fool around with successful publications. But Mahler foresaw accelerating industry changes and a growing appetite for news. Despite some early reader unhappiness with the new format, Mahler and Lebhar-Friedman persisted in the development of *Drug Store News*.

Today, thanks to these early efforts, *Drug Store News* remains the leading publication in the retail drug industry.

Walton orchestrates staff involvement

THE HUMAN SIDE
AL HELLER

We got designer jeans and
bush bake beans at Sam's.
We got diamond rings
and 14 karat things.
We got VCR's and
things for cars at Sam's.
Well you can bring your mother,
even your brother to Sam's.
But not all the rest. You're
only allowed two guests.
We got coffee and tea and
you can see me at Sam's.
Well the checkouts are fast and
you won't lose your -- at Sam's.
Sam's, Sam's Wholesale Club.

The lyrics won't make Billy Joel shiver. But they're beautiful music to the prideful hourly employees who wrote them. And they're testimony to the teamwork, camaraderie and positive working environment developed by Sam Walton and his chain of command at this Wal-Mart division.

I witnessed this extraordinary sing-along of more than 300 people (including corporate brass, 100 hourlies on the club staff, vendors and special guests) some time ago at a Sam's opening in Nashville, and it has never left me. Short of a major sporting event or political demonstration, I've rarely seen such enthusiasm in a crowd. I have never before and never since seen this spirit at a retail company.

How can Walton's team build this *sheer joy of being there* when few others can? Involvement.

Workers are entitled to profit sharing, and it's not uncommon for low-level staffers to build healthy five-and-six-figure retirement nests. The posted stock price is updated daily in Wal-Mart stores to remind all associates of their personal investment in the retailer's well-being. At store openings, Walton tells hourlies: "Let's protect our jobs. No taking merchandise out of here that doesn't belong to you. We're talking about your future. You folks have got to be profitable quick. Will you do that?"

The hourlies at the club were treated to a morale booster by Walton's team immediately after the sing-along. "Don't you appreciate the person standing next to you?" one of Walton's guard exhorted the crowd.

Sam Walton, human relations maestro.

'Don't you appreciate the person standing next to you?' one of Walton's guard exhorted the crowd. 'Well, tell them!'

"Well, tell them!" They did.

He continued: "If you don't feel you're treated right, tell your boss. If he doesn't help you, tell me. If I don't help you, tell Sam Walton. If he doesn't help you, you're probably wrong."

This approach seems anything but wrong. The hourlies couldn't wait for the steel door to roll up so they could begin producing their $1 million-plus volume per week. Before that could happen, though, vice chairman Jack Shewmaker, since retired, recounted for all to hear how Walton hired him 16 years earlier: "I was out of a job with three little kids. I traveled a few hundred miles to some retail chain- . . . left with an offer, thinking I wanted to do more than that, and was most of the way home when Sam Walton called and got me to meet him by asking, 'would you meet me halfway?' He was a multimillionaire. I was unemployed. So I met him. He came in his old clunker Chevy and me in my new Buick. We met at a Howard Johnson's Restaurant in Joplin, Missouri."

Here comes the lesson. "Can't we meet each other halfway? And can't we meet our customers more than halfway?" Shewmaker said.

Enthusiastic, well-trained store staff are every retailer's best bet for winning over customers. Realistic drug store operators know they can't expect employees to treat shoppers any better than they are treated themselves. This is more than altruistic, it's common sense. At Sam's, for instance, the positive attitude helped grow the chain to more than 100 clubs since its inception earlier this decade.

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SPECIAL SAMI REPORT

Seasonality leaves mark on health and cosmetic products

Seasonality index trends for each of the 13 28-day periods and classes of health-oriented products tend to peak during the fall and winter, while those with more cosmetic overtones are more heavily purchased during the spring and summer.

In some instances there are wide variations in the level of volume in the peak period as compared with the trough. Combining trends in 1987 and 1988 in the suntan lotion/suntan oil category, the index for the 28 days ending in late March is 292, while sales in the period ending Nov. 4, 1988 represent only 9 percent of volume in the average period in the year—a range of 283 index points.

PRODUCT TRACKING
ALAN MILLER

However, in the category of laxatives and stool softeners, there is also a peak in the March period, but it measures only 106 and compares with a low of 95 found both in the period ending Sept. 9 and the year's-end period.

In some categories there is a high degree of consistency between seasonal peaks and valleys in the two years of national drug store sales under scrutiny.

In the eye care products category, for example, the most pronounced difference in the index level comparing 1988 sales performance with 1987 is a 9 point differential in the SAMI reporting period ending Feb. 26. The index level in 1987 was 93, meaning that sales were 7 percent below the average for the year, while in 1988 the index reached 102, suggesting that the sales level was 2 percent higher than for the average four-week period.

However, among synthetic vitamins, there is a 26 point difference in the seasonal indices for the two years in February, from 129 in 1987 down to 103 in 1988.

Seasonality in the sale of health and beauty aids is a relative designation and there are a number of factors which can obscure the true seasonality in a product category.

In some cases the sales pattern is the result of weather. Extreme winter conditions can bolster the sale of lip care products, and particularly hot and humid weather can lead to a bump in the sale of antiperspirants and sunscreens.

The launching of a strong new product can interrupt normal buying patterns and cause a bump, and conversely the phase-out of a product or group of products can pull down sales in an entire category in a particular month.

The degree of seasonality for a particular reporting period is subject to the influence of special promotions which are not necessarily scheduled at identical times each year. Any promotional activities associated with Easter or Passover fall at different times from one year to another.

Just as there are major variations in seasonal patterns on a national basis, it should be kept in mind that there can be significant differences in the importance of seasonal factors from one market to another.

To dramatize the significance of such market-by-market fluctuations, we have selected the highly seasonal category of cold remedies. For each of SAMI's 54 markets, we have identified two peak periods. The first peak starts off the season as retailers stock in anticipation of consumer demand, and the second peak coincides with the period when consumer demand is at the highest level.

The timing of each of these crests from one market to another is important to the marketer, who wants to make certain that promotional levels are timed to match the time when these products are in maximum use.

In 1988, the period with the highest number of markets peeking for sell-in was the four weeks ending Oct. 7, when 37 markets peaked. In nine additional markets there was a sell-in peaking during the four weeks ending Nov. 4; in seven the first peaking took place during the period ending Dec. 30, and in Los Angeles the first peak did not occur until the period ending Jan. 29.

The second crest was found during the four weeks ending Dec. 30, when 28 out of 54 markets had high consumption levels. In the January period 14 more reached secondary heights. Six markets had a high in February; four in March; and two not until April.

Awareness of such market-by-market idiosyncrasies can help the health and beauty aid marketer to plan sales and promotional strategy on a more efficient basis.

Readers wishing to receive a special report on national seasonality trends through drug stores in 26 H&BA categories with annual volume in excess of $100 million can obtain the same by writing to Warren Spence, vp, H&BA Marketing, SAMI, 55 Greens Farms Road, Westport, Conn. 06880.

Seasonality of growth trends by H&BA category, national unit volume basis

(years ending Jan. 29, 1988 and Jan. 27, 1989 and both years combined; average 4-week volume during year = 100)

Category	1/29	2/26	3/25	4/22	5/28	6/17	7/15	8/12	9/9	10/7	11/4	12/2	12/30
Internal analgesics													
1987	111	106	102	95	95	93	92	100	100	109	107	100	94
1988	106	113	106	96	95	88	87	99	102	109	100	98	100
Combined	109	110	101	96	95	91	90	100	101	109	104	99	97
Cold remedies													
1987	140	111	103	95	81	68	59	62	95	133	133	98	115
1988	127	117	102	93	81	70	57	59	92	137	126	105	129
Combined	134	114	103	94	83	69	58	61	91	135	130	102	122
Eye care products													
1987	99	93	92	96	100	107	105	118	105	101	101	92	88
1988	97	102	97	97	98	104	105	114	103	100	102	90	90
Combined	98	98	95	97	99	106	105	116	104	101	103	91	89
Antacids													
1987	108	103	103	99	93	93	94	98	97	102	105	105	101
1988	99	102	102	99	102	96	94	94	96	112	102	101	100
Combined	104	103	103	99	98	95	94	96	97	109	104	103	101
Laxatives & stool softeners													
1987	103	103	105	101	103	101	98	100	96	101	100	99	92
1988	99	107	106	103	102	99	100	97	94	98	100	99	97
Combined	101	105	106	102	103	100	99	99	95	100	100	99	95
Cough remedies													
1987	113	122	104	92	71	59	52	53	75	122	146	132	131
1988	113	120	98	78	73	57	48	51	90	154	132	121	135
Combined	113	121	101	85	72	58	50	52	83	138	139	127	133
Synthetic vitamins													
1987	111	129	103	93	91	84	86	97	104	116	101	92	93
1988	112	103	95	91	94	85	82	105	115	112	106	103	97
Combined	112	116	99	92	93	85	84	101	110	114	104	98	95
Shampoo													
1987	96	101	99	106	109	102	107	101	100	103	105	86	83
1988	99	102	100	104	108	98	98	104	102	99	105	94	86
Combined	98	102	100	105	109	100	103	103	101	101	105	90	85
Hair coloring													
1987	98	91	101	98	99	104	106	105	100	101	101	103	89
1988	94	108	105	105	108	102	101	97	93	96	96	91	94
Combined	96	101	103	102	104	103	104	101	97	99	100	97	92
Toothpaste and powder													
1987	99	109	101	107	96	98	101	100	104	99	101	92	86
1988	98	94	101	109	104	95	105	102	95	96	102	95	98
Combined	99	102	101	108	100	97	103	101	100	98	101	91	92
Hair spray													
1987	110	94	102	99	97	95	96	101	102	102	106	99	98
1988	96	101	112	102	106	105	101	100	98	94	101	89	92
Combined	103	99	107	101	102	100	99	101	100	98	101	94	95
Hand and body cream/lotion													
1987	131	114	113	103	100	79	93	85	85	91	95	96	116
1988	126	107	99	97	92	98	93	82	85	106	103	97	114
Combined	129	111	106	100	96	89	93	84	85	98	99	97	115
First aid antiseptics													
1987	89	85	96	109	128	129	130	117	104	87	79	74	73
1988	107	86	93	104	109	116	128	113	102	95	83	77	87
Combined	98	86	95	107	119	123	129	115	103	91	81	76	80
Natural vitamins, minerals, supplements													
1987	99	132	104	100	92	87	97	104	98	107	100	89	91
1988	109	103	96	93	101	92	95	104	102	109	104	94	100
Combined	109	118	100	97	97	90	96	104	100	108	102	92	96
Cosmetic and medicated skin aids													
1987	91	93	97	101	102	107	111	123	111	104	91	87	78
1988	90	92	98	107	107	105	107	121	114	102	89	85	84
Combined	91	93	98	106	105	106	109	122	113	103	90	86	81
First aid products													
1987	93	98	97	102	115	112	117	110	105	94	91	85	81
1988	92	95	95	102	114	111	116	108	102	100	93	87	84
Combined	93	97	96	102	115	112	117	109	101	97	92	86	83
Facial preparations													
1987	111	98	107	110	96	93	98	101	100	102	103	91	91
1988	105	107	109	110	104	107	98	97	88	98	93	88	97
Combined	108	103	108	110	100	100	98	99	91	100	98	90	94
Hair conditioning rinses													
1987	110	103	101	99	96	96	101	102	101	103	104	94	86
1988	100	105	100	100	104	96	98	105	105	106	101	94	87
Combined	105	104	101	100	100	96	101	104	103	105	103	94	87
Stick deodorants and pads													
1987	93	94	95	98	85	116	99	106	111	115	104	96	88
1988	98	108	105	89	97	99	103	116	97	101	105	90	93
Combined	96	101	100	94	91	108	101	111	105	108	105	93	91
Suntan lotions-suntan oil													
1987	21	62	307	261	220	182	126	55	22	11	8	9	15
1988	89	111	276	193	188	186	125	56	26	12	10	10	11
Combined	55	87	292	227	204	184	126	56	24	12	9	10	13
Nasal spray-drop-inhaler													
1987	121	118	110	104	91	78	71	70	86	113	124	102	112
1988	121	116	106	95	90	79	72	68	88	130	112	100	119
Combined	121	117	108	100	91	79	72	69	87	122	118	101	116
Hair dressing needs													
1987	99	98	97	105	101	100	98	101	96	108	100	100	94
1988	94	104	100	99	111	105	105	101	96	101	94	94	95
Combined	97	101	99	102	106	103	102	101	96	105	99	97	95

Source: SAMI

DRUG STORE NEWS®

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Health and beauty segments drive 10-percent advances

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development of the ancillary home health care business.

A continuing trend towards self-medication drives OTCs, where drug stores are well-assorted and staffed to dispense advice. Led by family planning, lens care, feminine hygiene and cough/cold, OTC sales overall grew nearly 10 percent and now accounts for about 15 percent of chain store sales.

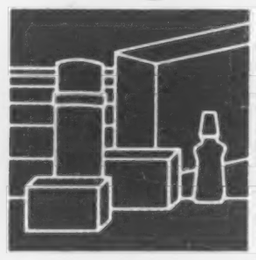
Many new store formats, including those of Pay Less NW, Peoples and Perry, give renewed importance to cosmetics as an anchor. While its sales advance in '88 was just 7 percent, the department is relied on to make a fashion statement for drug stores, and cater to both working and non-career women, who together make up 80 percent of the drug store shopping base.

Stationery, especially home office, has secured its place as a core hard goods department at drug stores, as the ranks of small businesses and home-based workers visit often to replenish. This has markedly helped broaden the market of drug store shoppers.

Annual Report Part II: Performance

Chain drug industry sharpens marketing, merchandising focus

Drug chains increasingly use food and snacks as a way to attract consumers' fill-in shopping visits between major supermarket trips.



The chain drug industry has acquired a distinctly lean and hungry look in the 1980s. Once known for its relative complacency and a generally conservative approach to doing business, the industry has endured a crucible of change over the past decade and emerged with sharply focused programs for merchandising and marketing.

The changes have been powerful enough to sweep many chains and independents off the map. The survivors face a host of challenges. Among them: the increasing segmentation and sophistication of the consumer population; the onset of two-income, time-strapped households; the growth and success of aggressive new hordes of competitors munching on the traditional drug store market—including huge combo stores, deep-discounters, warehouse stores and hypermarkets; and an explosion of new products that clamor for precious shelf space.

The chains that have survived these challenges are better-run, more responsive to their customers and far more sophisticated in their approach to merchandising and marketing. They have developed better systems for tracking and recording product movement in their stores, and have used the resulting information to refine their buying, merchandising and advertising efforts. They have realigned their operational and management structures to make what happens in the stores the focal point for all operational and support activities.

Thus, like marathon runners, the chains are still in the lead in the sales race for H&BA, Rx, photofinishing, mass-market cosmetics, home office-stationery and greeting cards, but they can hear their competitors close behind, nipping at their heels.

Nowhere is this more apparent than in a recent study of supermarket pharmacy sales trends conducted by Towne-Oller Associates for the Food Marketing Institute. The FMI study showed that food-drug combos now have 13 percent of the U.S. retail pharmaceutical market, worth $2.3 billion. What's more, the study showed that combos were the fastest-growing retail segment of pharmacy, with a 28-percent hike in Rx dollar volume and a 19-percent jump in unit volume last year.

With food, discount and deep-discount store chains grabbing traditional drug store market share and eroding the old distinctions between trade classes, most drug chains have made concerted efforts over the past few years to regain their distinctive advantages in the market.

With food, discount and deep-discount store chains grabbing traditional drug store market share and eroding the old distinctions between trade classes, most drug chains have made concerted efforts over the past few years to regain their distinctive advantages in the market. Chief among those advantages, of course, is the priceless aura of professionalism that surrounds the drug store pharmacy.

Speaking of his own company, Walgreen chairman Charles Walgreen III recently noted: "There is no denying that Walgreens operates in a tough retailing environment. On the other hand, I believe that drug store chains—and specifically Walgreens—offer distinct marketing advantages over other forms of retailing.

"Beyond the fact that we carry so many everyday, necessary, consumable items, these advantages include a strong health care image, accessible locations, easy-to-shop stores, and fast service."

Walgreen's remarks could serve as a credo for the industry, of course. He went on to note other factors working in favor of drug stores. "These include the time-strapped consumer needing a convenient place to shop, the aging of the population, the increasing number of births, shorter hospital stays, more working

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Breakout of 1988 chain drug sales

Department	1988 total chain sales (add 000)	1988 % increase	% of total sales	% gross margins	average turns
Prescriptions	$10,717,156	13.7	29.8	35-40%	6.5
OTC/proprietaries	5,361,565	9.8	14.9	30-35	5.0
Toiletries	3,770,216	9.7	10.5	25-30	5.0
Tobacco	2,364,291	3.8	6.6	15-30	15.0
Housewares	2,244,731	7.8	6.2	35-45	3.0
Cosmetics	1,834,265	7.0	5.1	35-40	2.2
Stationery	1,809,817	10.5	5.0	40-45	4.5
General merchandise	1,780,460	5.2	5.0	35-45	5.0
Photo/video	1,547,323	8.6	4.3	20-25	9.0
Grocery/snacks/soft drinks/liquor/wine	1,526,001	6.5	4.2	15-20	5.0
Candy	1,315,223	10.9	3.7	25-30	7.5
Toys	799,195	8.5	2.2	35-40	4.0
Misc./promotional	882,412	8.0	2.5	15-20	N.A.

Source: *Drug Store News* 1989 survey of drug chains

10-year sales trends

(In millions of $. 1985 base equals 100. 1988 equals 126.7*)

Departments	1979	1980	1981	1982**	1983	1984	1985	1986	1987	1988
Prescriptions	$3,476	$3,983	$4,612	$5,105	$5,927	$6,733	$7,669	$8,475	$9,426	$10,717
OTC/proprietaries	1,964	2,235	2,575	2,879	3,201	3,595	4,087	4,468	4,882	5,362
Toiletries	1,484	1,726	2,020	2,271	2,457	2,742	3,047	3,230	3,436	3,770
Tobacco	1,219	1,354	1,518	1,702	1,806	1,979	2,127	2,205	2,279	2,364
Housewares	920	1,065	1,238	1,389	1,497	1,606	1,676	2,003	2,083	2,245
Cosmetics	708	831	976	1,107	1,205	1,352	1,481	1,605	1,715	1,834
Stationery	689	779	888	987	1,069	1,199	1,352	1,488	1,638	1,810
General merchandise	771	893	1,035	1,146	1,227	1,337	1,416	1,212	1,287	1,780†
Photo/video	587	680	791	891	1,001	1,114	1,235	1,294	1,425	1,547
Grocery/snacks/beer/ soft drinks/liquor/wine	645	780	934	1,060	1,123	1,209	1,280	1,335	1,433	1,526
Candy	568	607	674	753	793	892	973	1,067	1,186	1,315
Toys	408	464	533	598	632	672	701	690	736	799
Misc./promotional	382	478	562	579	589	657	724	745	817	882

*Drug Store News established calender year 1985 as base year equalling 100. Merchandise growth shown in future census issues will reflect this index.

**Calender 1982 and prior-year figures restated to reflect change in definition of chains from two or more to four or more stores.

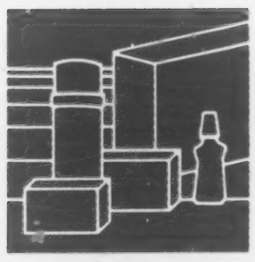
†Represents inclusion of auto/hardware figures.

Source: *Drug Store News* 1989 survey of drug chains

Cosmetic and fragrance sales on the upswing

Survey findings show facial treatments as strongest growth segment

Most chains today prefer to merchandise cosmetics by family. That way they can influence brand-loyal shoppers to make multiple purchases within a popular line. As buyers often put it, "The woman who uses a Revlon lipstick will often buy a Revlon nail enamel in a complementary shade if we make it easy for her to find it." Skin care products also sell well when they're merchandised next to their cosmetic siblings, buyers feel.



Cosmetics and fragrance categories sales are showing an upswing in chain drug stores, up 7 percent overall, driven by larger gains in cosmetics and slightly smaller advances in fragrances.

A similar trend was also recently reported by Goldman Sachs, a New York-based financial securities firm that conducts its own semi-annual survey of independent and chain drug cosmetics buyers.

Goldman Sachs gets its handle on sales trends by asking buyers to report how much their fragrance and cosmetics sales have gone up in the most recent six-month period. Its latest survey, released in March, disclosed that 26 percent of the buyers responding felt fragrance sales had increased more than 10 percent for the reporting period.

In its prior survey, released in October, just 9 percent of all buyers reported such a trend.

In this survey, 31 percent of the respondents said cosmetics sales were up 10 percent or more over the same period last year. Six months earlier, only 13 percent of respondents reported that trend.

Drug Store News' findings showed the strongest growth segments to be: facial treatments up nearly 10 percent; eye makeups advanced nearly 9 percent; nail polish and nail treatments up nearly 9 percent; bath preps, also up over 8 percent, and facial makeups, up nearly 9 percent.

New products were definitely responsible for some of the growth, but drug chains also helped improve the picture by making the upgrading of their cosmetics/fragrance departments a priority.

Chains upscaling in '88

In 1988, almost all the major chains were working on either upscaling or fine tuning their cosmetic presentations, including Walgreens, Eckerd, Revco, SupeRx, Thrift, Pay Less, Peoples and Perry.

In some cases the changes were dramatic, such as relocating cosmetics in the front of the store in a boutique configuration, as Peoples has done. In other cases it was more subtle, like taking manicure off the back wall and putting it closer to the front to increase its visibility.

Many of the top chains are also upgrading to the new fixtures that Revlon, L'Oreal and Max Factor now have available. Revlon's Avanti fixture, in particular, is very popular now because of its attractiveness and its flexibility.

Buyers added that manufacturers also helped by creating advertising campaigns that really drove sales. Revlon's new Unforgettable Women campaign and Noxell's new campaign for Clarion Color Cosmetics were particularly singled out as above average.

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1988 cosmetics department highlights at chain drug stores

Chain drug cosmetics sales	$1,834,265,000
1988 percentage increase	7.0%
Percentage of total chain drug sales	5.1%
Typical gross margins	35%-40%
Industry profit yield from cosmetics last year	$645,000,000-$735,000,000
Average annual department turns	2.2

Source: *Drug Store News* 1989 survey of drug chains

1988 cosmetics department productivity at chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Fragrances	$ 537,587	5.0%	29.3%
Toilet water/cologne	416,275	5.1	22.7
Perfumes	92,211	1.5	5.0
Body sprays	29,101	3.9	1.6
Budget/pegged cosmetics	431,076	7.3	23.5
Nail polish/nail preps	188,099	8.8	10.3
Bath preps	158,328	8.2	8.6
Lipstick/lip color	153,764	6.9	8.4
Eye make-ups, shadows, pencils, mascaras etc.	146,462	8.7	8.0
Facial treatments excluding eye make-up	115,351	9.9	6.3
Make-up, powder, cream/liquid	103,598	8.9	5.7
Total	$1,834,265		

Source: *Drug Store News* 1989 survey of chain drug stores

Wellby Drug uses endcap to full effect to make a fashion statement in cosmetics. The presentation is varied, but not cluttered, and the header cards on the pre-packs help sell the product by telling their fashion story.

Cosmetic and fragrance sales up

Continued from page 75

In terms of brands, Revlon, Cover Girl and L'Oreal continue to be the strongest lines in most chain drug stores. Maybelline and Almay, however, are also singled out as above average, and Max Factor has been making a comeback with the launch of such innovative new items as No Color and Clear Mascara and Satin Splendor.

Specialized lines

Among the specialized lines, Aziza is reportedly doing an outstanding job with its eye care brands, and some buyers said its new Contact Lens Cosmetics line is starting out strong. Cutex and Sally Hansen are both doing well within nail color and nail treatment, and Rubigo has been picking up expanded distribution for its specialty line of color cosmetics for the face.

According to buyers, Revlon has done very well with its launch of New Complexion makeup as well as its anti-aging lotions and gels. New fashion eye and lip pencils are also doing well, as is Sheer Tints mascara. Buyers said sales of Revlon nail and grooming implements are also up significantly.

Cover Girl has also had some strong launches. Among them were Soft Radiants Sheer Color Blush and Oil Control Truly Fresh Blush, which buyers said are off to a strong start, and replenishment creams and Lash Mascara Primer.

Cover Girl's sister line, Clarion, is also picking up in sales. Most buyers said that since Clarion's new ads broke, sales have been very strong for the color line; early reports on the skin line indicate that Clarion has scored another success.

Maybelline seems to have a good launch going with Sheer Essentials makeup. Buyers report strong movement with the brand's mascara, eye liner pens, eye shadows and nail colors.

Almay has always done well with its treatment products. Buyers noted that Almay's facial makeups are also selling well, but its nail and eye color lines are not turning as fast.

L'Oreal's Lash Out mascara is on just about everyone's list as a best seller. Its Visuelle makeup, according to most buyers, is holding strong in the face of growing competition.

Early reports on its new Mattique Illuminating Matte makeup and Plenitude skin care lines are also positive.

New fragrance launches

In fragrances, the category has been helped by some strong new product launches, particularly Prince Matchabelli's Hero launch for men and Coty's Ex Cla Ma Tion launch for women. Most buyers also say Revlon's launch of Trouble also went over well.

In terms of overall best sellers, the picture hasn't changed too much from last year. Vanderbilt is still at the top of just about everyone's list for its best-selling mass fragrance. Lady Stetson is still doing well, and Charlie is doing better than it has in a long time, buyers said. Sand & Sable is consistently mentioned as a strong seller for those who carry the line. Primo seems to be getting even stronger as a brand in its own right. Very few buyers describe Primo as a knockoff anymore.

Designer fragrances are also selling very well in chain drug stores whenever buyers can get them. Passion is particularly hot, and Obsession is still very much in demand.

In men's fragrances, Stetson is still the clear leader in mass. Some chain buyers said Chaps may have slipped a little, while others said it is still doing as well as ever. Some chains report that Adidas is doing much better this year, while others who give it less attention remain lukewarm on the brand.

Old Spice and English Leather still dominate after shaves. Jovan Musk for Men is doing very well, buyers said.

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Annual Report Part II: Cosmetics/Fragrances

Harco Drug uses a compact floor display to stimulate impulse sales for jewelry. Signage that highlights discounted prices also helps.

Adjacencies are important for stimulating related sales in the cosmetics department. Here Peoples makes sure hair, skin and bath are as close to color as possible.

Locating hosiery close to fragrances is a clever way to pull traffic into the department. Locating high-turning hosiery right next to high ticket/high margin fragrances is an effective profits producer.

An island display is the best way to feature fragrances in chain drug stores, its impact and fashion image reinforcing the brand's mystique.

Skin care introductions jumped sharply in 1988

PRODUCT INNOVATION

RICHARD LAWRENCE

The big news in skin care during 1988 was the FDA's move to restrict anti-aging claims. Even people in the industry called for moderation, warning that consumers were being confused and turned off by the increasing complexity and overpromise of some claims.

In the short term, whatever the effects on packaging and advertising claims, the controversy did not lessen the number of new products. After edging upwards in 1987, skin care introductions jumped sharply in 1988, one of a minority of product categories which bucked the trend in a year in which the total number of new H&BA items actually declined.

The effect of FDA pressure was evident in 1988 in the flattening rate of skin care introductions claiming anti-aging benefits and a corresponding resurgence in introductions with more verifiable claims, such as moisturizing.

In 1988, for example, moisturizing product introductions soared to 83 from 62 a year earlier. Anti-aging product entries skipped down to 38 in 1988, compared with 39 in 1987.

Recently we've seen a trend to develop products which deliver combination benefits or tackle more than one problem. Working women with hectic lifestyles demand the added convenience of a single product that does everything, rather than time-consuming regimens involving several items in a line.

Except for some growth in new products that include eye and lip treatment, this has not resulted in major changes in the claimed uses for skin care products. The face and body are the most important areas of use, followed by hands.

The industry has a reputation among critics of promoting unfamiliar ingredients in support of quasi-therapeutic claims. This may be one area where reality has been overshadowed by the perception created by a few offenders.

Trends in mentions of specific ingredients don't show an increasing variety or major swing to exotics. The biggest gainer was collagen, with 17 product entries in 1988, up from 12 in 1987. Among other selected ingredient mentions, aloe vera, vitamin E, elastin, hyaluronic acid and vitamin A showed flat trends in products introduced containing them.

The perennial opportunity in the very active and competitive skin care market, according to many industry commentators, is the men's market. That may be so, but new product marketers have yet to act on the message. Successes in the mass market for men's skin care are very few, and what little new product activity that has been reported has been with upscale department store brands.

Richard Lawrence is president of Marketing Intelligence Service Ltd., Naples, N.Y.

Skin care introductions

1984	143
1985	142
1986	180
1987	194
1988	239

Source: Marketing Intelligence Service

Claimed usage: Skin care introductions, '84—'88

(Percentage of total mentions)

Face	33.1
Body	33.1
Hands	14.7
Eyes	9.8
Lips	9.3

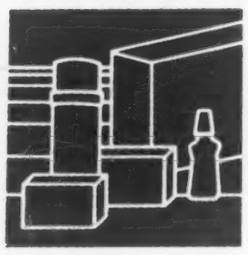
Source: Marketing Intelligence Service

Men's skin care introductions

1984	4
1985	6
1986	6
1987	11
1988	7

Source: Marketing Intelligence Service

Toiletries rise 10%; chains expand skin care



Overall, toiletries sales in chain drug stores were fairly strong throughout 1988, climbing nearly 10 percent, according to a *Drug Store News* industry survey.

The strongest growth categories were sun tanning and sun protection, face creams and lotions, hand/body creams and lotions, styling aids, hair sprays, shampoos and conditioners (particularly the prestige shampoos and conditioners), baby lotions and oils, and bath products.

Skin care sales in chain drug stores were up about 16.4 percent for the year, largely due to new product introductions and greater merchandising efforts by retailers.

Many chains today are expanding skin care departments, adding more space to accommodate new lines and line extensions. They are also experimenting with the way they merchandise skin care, often giving multiple placement to product in both a mass and a cosmetic skin care section, and often giving skin more featured display space, particularly with prepacks that go into the cosmetic areas.

Growth lines

Many buyers said they are finally starting to see strong growth in their franchised lines and mass market brands. Many attributed this growth to merchandising changes that help make the category more visible and accessible in their stores.

Some chains like Duane Reade in New York are experimenting with in-line franchised skin care departments located near cosmetics. Others like Perry Drug in Detroit have expanded their mass skin care departments to include many of the franchised brands like Revlon Eterna and European Complex as well as Almay, Max Factor and Coty's Overnight Success.

At Revco, the chain has expanded its mass skin treatment section, trying to give its customers a broader selection of product.

At Peoples, cosmetics vp Vicki Williams is currently working on a new skin care set that will help Peoples maximize sales in this rapidly growing segment.

Peoples still hadn't finalized its approach at press time, but Williams says the new planogram will try to organize the skin care department so that customers will find it "easier and more logical to shop." Williams is also considering the creation of a skin care center located close to cosmetics "as one possible direction to take."

Buyers are still singling out Almay as one of their best-selling treatment lines, but they are also reporting that Revlon franchised items are selling well, as is its Clean and Clear mass line. Clean and Clear's sales have probably been helped by Revlon's successful launch of the Clean and Clear hair care line, but Revlon is also in the process of repackaging and relaunching Clean and Clear skin. The line will also be upgraded by line extensions.

The new Clarion skin care line is starting off very strong, buyers said, and L'Oreal's Plenitude has established a good track record in its test and roll-out markets.

In Atlanta, where Plenitude was originally test marketed, Steve Davidson, the cosmetics buyer for Reed Drug (acquired recently by Big B), said it has performed well. Kathy Covault, cosmetics merchandiser for Drug Emporium, also reported that Plenitude is selling very well.

With the Clarion skin care line, some chains, particularly deep discounters, are reporting that sales are so strong they can't stay in stock. Clarion began rolling out in February and is currently in about 25,000 doors. Plenitude will roll out nationwide this summer. Del Labs is also in the process of rolling out a new mass skin care line, Rejuvia by Sally Hansen.

Meanwhile, almost every key mass skin care manufacturer has a slew of line extensions hitting the market or just recently launched, including Revlon with Aquamarine, Noxzema with Difrinse, Westport with MoisturEyes gel, Westwood with Keri anti-aging lotion and Moisturel cleansers, Korff with a new skin care line for men, Olay with Sensitive Skin Fluid and Intensive Moisture Complex, and Almay with some more Stress extensions. Even Hazel Bishop is relaunching Lanolin Plus.

Most of the major chains have committed to all of the major new launches, and set aside space for them either in mass or in cosmetics, and they are also giving more space to skin care pre-packs like the Max Factor counter display featuring the new Incredible Blue Mask, which buyers said is selling well.

In some cases, manufacturers have worked with chains to develop more efficient displays. Rubiglo, for example, which is the U.S. distributor for Christy complexion products, collaborated with CVS to develop a more space-efficient display for Christy's single application face packs. The new display could accommodate twice the product in approximately the same space as the original pre-pack.

Like the franchised brands, the mass market brands are also doing well, particularly Olay, Neutrogena, Nivea, Lubriderm, Vaseline Intensive Lotion and Curel. Some buyers also single out such old stand-bys as Palmer's cocoa butter and the Queen Helene moisturizers as also doing well.

Sea Breeze is very popular in some stores, buyers said, as are dual packs of St. Ives' Swiss Formula, especially when they are advertised. Ponds is good and Freeman and West Cabot skin treatments also sell well in many stores.

Other new launches that seem to be catching on very well right now are the Jergens' Eversoft and the new Olay line extension—Olay for Sensitive Skin.

Brands that are primarily advertised through dermatologist detailing are also continuing to do well, especially Lubriderm, Keri and Curel.

Hair care growth

For the first time in several years, the hair care category also showed moderate growth in 1988, easily topping the $1 billion mark at chain drug stores. Once again, buyers singled out styling aids as their fastest-growing hair care segment, up 18.2 percent to $79 million in chain drug stores.

Shampoo sales were also strong for such a mature segment, growing 9 percent to $392 million at chain drug stores. Hair spray sales were also strong, up about 9 percent to $159 million.

Hair color showed more erratic performance, with some chains reporting relatively flat sales and others reporting increases in excess of 10 percent. On average, hair color sales in chain drug stores were up about 7 percent, to $336 million. Merchants have begun to relocate hair color closer to cosmetics, which buyers said is effective because cosmetics clerks can give guidance.

The same approach has also been tried with ethnic hair and skin preps, and to good effect, buyers report.

Some buyers also think that hair care sales overall have improved because so many chains are adopting a more "back to basics" approach with their advertising and marketing. Many buyers say they have been more

Continued on page 86

1988 toiletries department productivity at chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Face cream/skin care	$499,222	16.4	13.2
Deodorants	417,491	7.0	11.1
Men's toiletries	400,040	6.0	10.6
Shampoos	391,627	9.1	10.4
Hair color	335,612	7.2	8.9
Ethnic hair/skin/cosmetics	262,191	6.2	7.0
Rinses & conditioners	241,637	8.8	6.4
Razors (incl. disposables)	169,629	8.3	4.5
Hand & body creams/lotions	169,198	15.4	4.5
Hair sprays	158,650	9.1	4.2
Hair notions	139,996	9.3	3.7
Suntan/sunburn	100,304	12.4	2.7
Sun protection	91,713	16.4	2.4
Styling aids	78,538	18.2	2.1
Shave creams	59,317	7.0	1.6
Perms/straighteners	27,023	3.3	0.7
Depilatories	12,936	11.2	0.3
Miscellaneous	215,094	10.0	5.7
Total	$3,770,216		

Source: *Drug Store News* 1989 survey of drug chains

1988 toiletries department highlights at chain drug stores

Chain drug toiletries sales	$3,770,216,000
1988 percentage increase	9.7%
Percentage of total chain drug sales	10.5%
Typical gross margins	25%-30%
Industry profit yield from toiletries last year	$945,000,000-$1,135,000,000
Average annual department turns	5.0

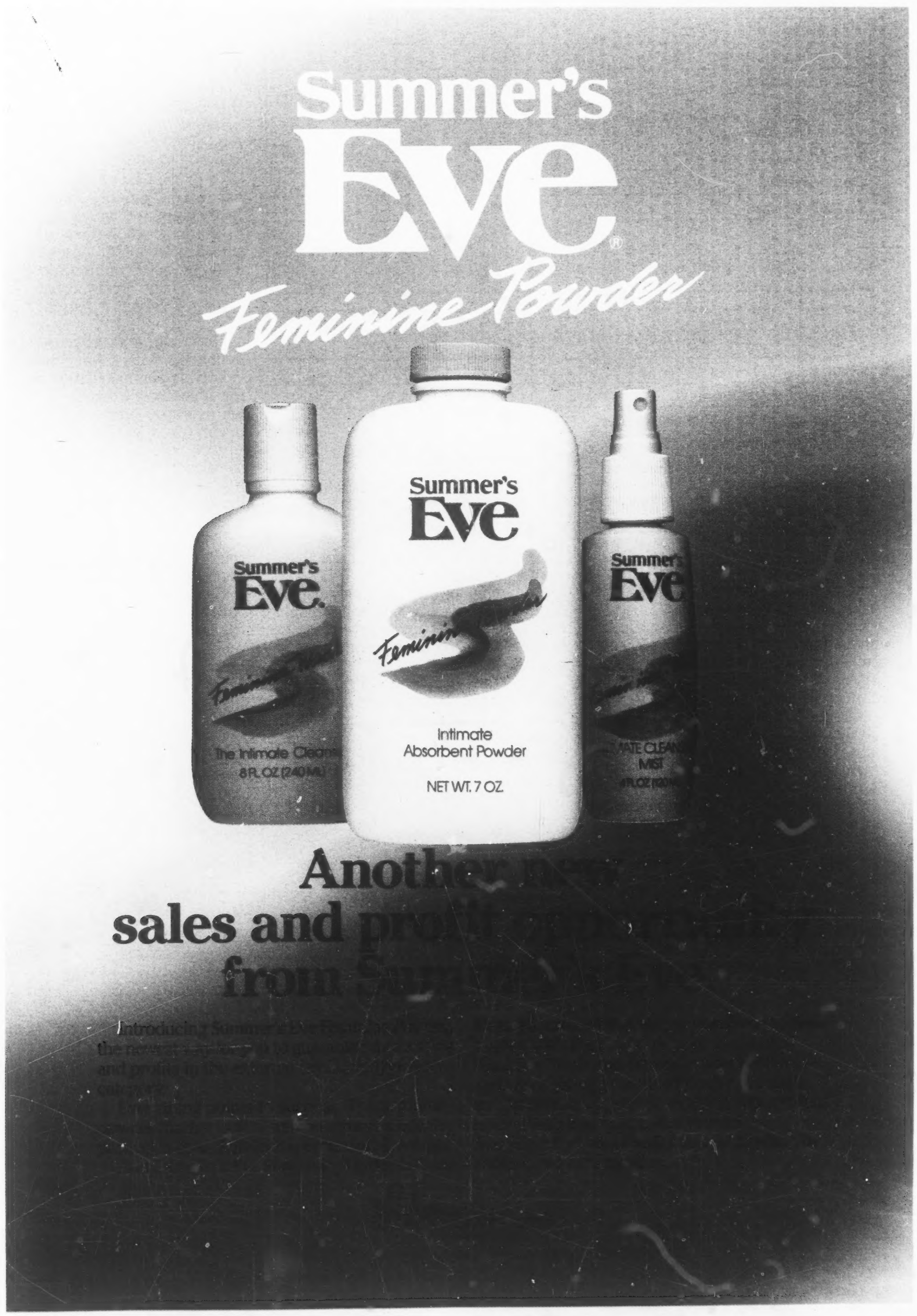
Source: *Drug Store News* 1989 survey of drug chains

Most Sunbelt stores carry sun care daily. Eckerd often has two locations for sun care in its stores: in-line as part of regular skin care section, and on one or two endcaps to take advantage of impulse sales.

Annual Report Part II: Toiletries

Great American in Long Island, N.Y., uses testers on shelf extenders in men's toiletries to encourage sampling.

Deep discounters such as Drug Emporium, shown here, use low everyday prices and broad product assortment in 32-to-40-feet sections to be competitive.



Toiletries rise

Continued from page 85

aggressive with hair care ads in 1988 and much more competitive on their prices.

The sun care category is still showing some of the strongest growth in toiletries, up about 15 percent. Sunbelt stores averaged a 25 percent gain.

The fastest-growing segments are still the higher SPFs, but many buyers said tanning products still sell very well, particularly in markets heavy in the 15-to-25 age range. Sun protection brands are driving growth in the Sunbelt, while sun tanning lotions and oils grow less dramatically on average.

In some chains, like Duane Reade and Genovese in New York, this is not the case, and tanning oils and lotions sell especially strong at the start of the season in March and April while the sun protection brands pick up in sales as the weather grows progressively warmer.

Buyers for some of the bigger chains are estimating that the sun protection segment will probably equal sales in the sun tanning segment by the end of this year.

The best-selling SKUs seem to be in the 15 SPF segment. Most buyers said this level of sun protection, the highest level acknowledged as effective by the FDA, outsells their other protection SPFs by a wide margin.

Protection brands

In protection, most buyers single out Shade, Sun Down and Pre Sun as their best brands. However, buyers at several of the bigger chains said their best sellers are their own value-priced private label sun protection brands.

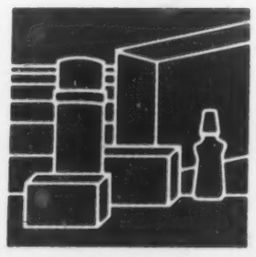
Many buyers also said that brands formulated especially for children's sensitive skin also sold very well, including Water Babies, Baby Faces and Cancer Garde for Children.

Protecteur Gentile seems to be off to a good start in chains that have it. Buyers say it is generating good trial. In the Sunbelt, J&J's new line, Piz Buin, is also selling well.

In general, retailers said they are coping with product proliferation in sun care by stocking two or three of the best-selling lines.

High card margins cause chains to grow depts.

Stationery's largest segment saw sales climb 11 percent in '88



Greeting cards is a high-impulse, high-margin category which performs well year-round during any type of economy.

These attributes have helped to convince a number of drug chains this year to expand their greeting cards section or move it more front-and-center in their stores, or both.

By giving greater exposure to cards, chains generally experience double-digit sales gains in the category, extend the shopper's visit in the store and make it more likely that people will buy related items such as gift wrap, figurines, balloons and the like.

Nationally, the expansion of floor space devoted to cards contributed to a modest increase in per-person consumption, thanks to greater varieties inducing more impulse sales. This in turn drove unit sales of greeting cards up between 2 percent and 3 percent in 1988.

Card sales in the mass retail market, including drug stores, are growing faster than in the specialty market, thanks to the one-stop shopping preference of working women; women account for about 90 percent of card sales. The mass market accounts for over one half of the 7.3-billion annual unit sales. Drug stores garnered a 23-percent share of the card market last year, while supermarkets had a 16-percent share, according to the Greeting Card Association.

Greeting card sales at chain drug stores climbed 11.1 percent to $636 million in 1988. It is the largest segment of the stationery department, accounting for more than 35 percent of department sales.

Among chains expanding card section footage during 1988 were Pay Less NW, Super D and K&B. Pay Less's sections now average 144 linear feet, up from a range of 112 to 140 linear feet previously. Super D added 8 feet in its larger units, augmenting its 60- to 72-foot sections with more endcaps and spinner racks, reaping increased sales. Super D also locates cards prominently: In a recently opened franchise store, for example, the first two aisles near the entrance are given over to cards and wrap.

Harco Drug, which devotes from 80 feet to 140 feet to cards, is among chains that have moved the department to an up-front location.

Wellby Drugs in Maine, a state with relatively few card shops and stationery stores, has made a strong statement with its card department, which is called "The Card Shoppe." The chain carries a large number of brands, including eight alternative card vendors, and backs the department with regular advertising.

Chains frequently use seasonal opportunities to advertise cards. This March, for example, chains including Longs, Eckerd, Revco, Peoples, CVS, Carls and SupeRx in Cincinnati advertised cards and giftwrap in their Easter presentations. Hook's ran a Bloomer Bunny coloring contest in conjunction with American Greetings, and also knocked 25 cents off any St. Patrick's Day card or novelty. Several chains used the Easter theme to heighten shoppers' awareness of their year-round selections of cards, wrap and novelties. Revco pictured Easter Bunny cards to remind customers that it discounts cards 10 percent every day.

A new Publix combo store in Orlando, Fla., offers a wide selection of magazines and books in up-front area near greeting cards.

Wellby Drugs' 'Card Shoppes' are appropriately named, as the unusually large selection and layout create a mini-store feeling in units such as this one in Falmouth, Maine.

The three major card companies, Hallmark (Ambassador), American Greetings and Gibson Greetings, generated several innovations during the past year, including new display vehicles, new lines and new fixturing.

All three companies over the past few years have moved into the fast-growing (approximately 20 percent per year) alternative-card market, once the turf of small, private companies, and American Greetings recently introduced a new nonoccasion line, called "Couples," along with a special "beam" display.

Gibson looked to build business outside the card department by creating "power panels" and "shadow boxes" during the year. The panels, or plastic trays, can be hooked onto shelves anywhere in a store. The shadow box, consisting of a two-wheel cart that can be moved to various departments, is being tried by Pay Less and Peoples Drugs, among other chains.

Snyder's Drug Stores, based in Minnetonka, Minn., reports good results with Ambassador's new "invisible fixtures" and ColorScan coding system for consumers, which the chain is trying in selected stores. The fixtures, which extend from eye-level almost to floor, "hide" storage space and allow more display, as well as showing 20 percent more of each card.

1988 stationery department highlights at chain drug stores

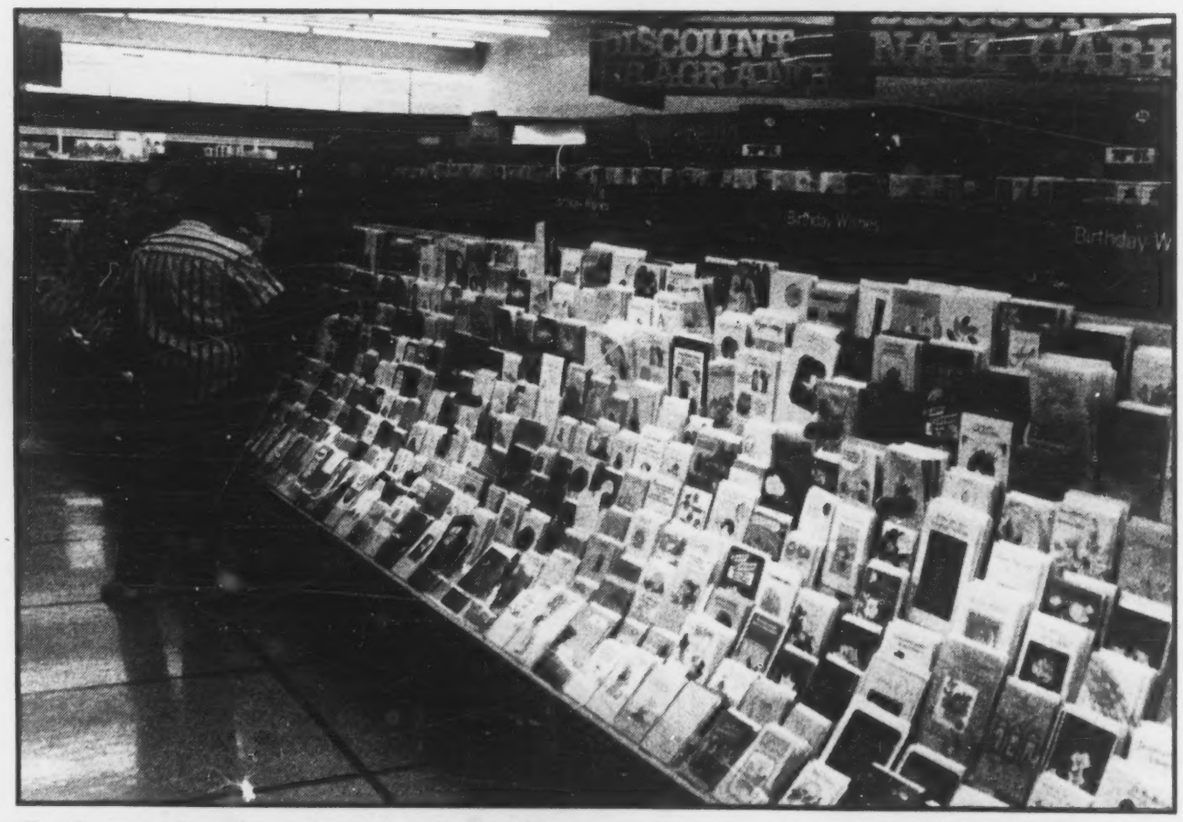
Chain drug stationery sales	$1,809,817,000
1988 percentage increase	10.5%
Percentage of total chain drug sales	5.0%
Typical gross margins	40% - 45%
Industry profit yield from stationery last year	$725,000,000 - $815,000,000
Average annual department turns	4.5

Source: *Drug Store News* survey

1988 stationery department productivity in chain drug stores

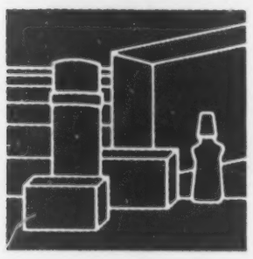
Category	1988 total sales (add 000)	1988 % increase	% of category sales
Cards	$ 635,678	11.1%	35.1%
School, home office	546,054	15.1	30.2
Books and magazines	272,243	5.7	15.0
Writing instruments	114,852	6.3	6.3
Gift wrap	104,044	10.7	5.7
Social stationery	69,318	1.3	3.8
Disposables/party supplies	54,471	6.3	3.0
Art supplies	13,123	5.3	0.7
Total	$1,809,782		100.0

Source: Drug Store News 1988 survey of drug chains



Cards are a key department at Arbor Drugs and get prominent location in this store near Troy, Mich.

Stationery up 10% in '88; home office strong



In the school-stationery-office supplies category, the spotlight for drug chains continues to be on the home office segment.

Stationery grew 10.5 percent overall in 1988, led by a greater than 15-percent gain in home office-school supplies. This segment's steady advances have secured its position in stationery, where it now contributes 30.2 percent of department sales.

Some chains that expanded the segment in 1988 saw department sales grow in the double digits; others plan to expand home office this year, confident that the trend among their customers, especially in the suburbs, to work out of their homes will remain strong. Indeed, there are an estimated 13 million home-based businesses in the United States, and the median income of home-business owners is $58,000, according to the American Home Business Association.

Many drug chain buyers note a willingness of their customers to pay for higher-quality office and school supplies, and are upgrading their assortments accordingly. "Our customers are willing to pay more for products if they feel they're a good value," said Dan McAllister, buyer for Kerr Drug Stores.

There is also a trend to multipacks, in items such as legal pads, envelopes and writing supplies. "Single packs don't really acknowledge our customer's interest in value," said John Kunzi, director of general merchandising at Drug Emporium.

To accommodate drug stores' relatively limited space, some vendors have come out with downsized bulk packs and compact displays. Such small office multipacks offer a compromise between "single items and the 12-packs that warehouse clubs want," said one vendor. "It tells customers that drug stores are in the home office business."

Children consider crayons in an Eckerd stationery department.

Fashion colors and designs continue to add impetus to the whole department: "Fashion portfolios and notebooks did well this year. Color was definitely on the increase," said K&B buyer Mark Blandford.

"School supplies has become a fashion business," noted Mark Griffin, president of Lewis Drug, based in South Dakota. "You have to have the catchy erasers, the 'right' folders, and keep up on who's hot in Saturday morning cartoons and among singers."

That the school-stationery-office supplies category is a year-round business for drug stores is no longer seriously in debate. While back-to-school continues to be a promotional "Christmas in August" for many chains, tax time and second semester are gaining favor as periods of opportunity. "Tax time season is starting earlier," said Dennis Wozniak, vp-purchasing at Arbor Drugs, which launched a new tax-time promotion this year featuring a mix of everyday strong movers and high-end items on endcaps as a secondary location.

And several chains have found that other areas of their stores can be tied into their promotions or cross-merchandising plans at back-to-school time for enhanced sales and profits. Among these areas: cosmetics; storage supplies; hair, dental and skin care products; batteries and electronics; underwear; personal care appliances; and sporting goods.

For some drug store operations, usually in metropolitan areas or markets with a concentration of industry or colleges, computer paper and other computer supplies do well. Florida-based Gresham Drugs, for example, carries disks and computer printer ribbon, in addition to paper, and reports good sales. The stores move 100 cases of computer paper a month. But others are still in a wait-and-see mode about entering this segment, or, like K&B, stock computer paper to round out their selection, hoping the business will develop.

Mailing supplies, often located in or near stationery, has proved to be a surprisingly productive niche for some chains, including Arbor, which added a section about a year ago, and Snyder's Drug Stores, which consolidated mailing items in one "home." Louisville, Ky.-based Taylor Drug Stores, in some stores, puts mailing supplies right at its mail-service outlets, for enhanced sales.

Several merchandisers see the soaring price of paper hurting discount operations more than traditional drug stores: "To a certain extent, the inflation rate in stationery has been a benefit to the conventional drug store, whose key competition in the mass market has been forced to raise retails and discontinue the outrageously low margins that these promotional football items generate," Lance Clark, merchandising manager at Snyder's, said during a Back-to-School Show seminar.

Where shoppers buy magazines and paperbacks

Outlet	Magazines	Paperbacks	Combined
Drug stores	9%	8%	9%
Supermarkets	54	15	39
Convenience stores	10	1	7
Discount outlets	2	15	7
Newsstands	11	2	7
Bookstores	7	54	25
Others	7	5	6

Source: Periodicals Institute

Writing instruments: sales at manufacturers' level

(Including imports and exports, in millions of dollars)

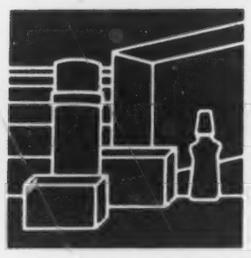
Segment	1983	1984	1985	1986	1987
Fountain pens	$ 30.5	$ 39.1	$ 39.5	$ 39.2	$ 41.1
Ballpoint pens	364.0	363.8	382.6	410.3	439.4
Roller pens	75.2	84.2	101.6	116.7	133.0
Porous point pens	209.6	215.7	141.4	145.2	151.7
Markers and highlighters	NA	NA	138.1	166.7	175.8
Mechanical pencils	79.9	116.8	133.4	174.2	201.3
Desk pen sets	10.1	17.4	16.4	18.5	18.6
Other*	50.0	70.0	85.0	88.0	91.0

* Estimates include refills for ballpoints, fountain pens and for roller pen instruments, pen points, refill leads and other items not intended for assembly or resale by another manufacturer.

Source: Writing Instrument Manufacturers Association

Snyder's Drug unit in Minneapolis features eye-catching endcap display of assorted back-to-school items, including notepads, spiral notebooks, folders, lunch bags and filler paper.

Multipacks, new products push photo up 8%



Drug chains sharpened their photo performance through savvy marketing of new film products and aggressive vendor promotions. Moreover, consumer enthusiasm for the popular point-and-shoot 35mm cameras helped merchants build further on their quality photofinishing efforts.

Overall, photo department sales clicked upward by 8.6 percent in 1988 to $1.55 billion. The advance was led about equally by film, photofinishing and cameras.

One of the biggest positive trends was aggressive merchandising of film multipacks. For example, Kodak's Kodacolor Gold line launched in May and Fuji's new Super HR film led the sales growth at some chains, especially those that displayed it in high-traffic areas such as checkouts.

Another plus which retailers used to their advantage was national advertising by manufacturers to support their new camera entries, among them Polaroid's Impulse, which filled the mid-priced instant niche.

Non-SLR 35mms from such vendors as Canon, Kodak, Vivitar, Fuji and Keystone gained regular circular space at under-$100 price points. New fool-proof features such as drop-in film loading and built-in flash made the

Continued on page 99

1988 photo/video department highlights at chain drug stores

Chain drug photo/video sales	$1,547,323,000
1988 percentage increase	8.6%
Percentage of total chain drug sales	4.3%
Typical gross margins	20% - 25%
Industry profit yield from photo/video last year	$310,000,000 - $390,000,000
Average annual department turns	9.0

Source: *Drug Store News* survey

1988 photo department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Film	$ 568,127	10.8%	36.7%
Still color	365,661	11.6	23.7
Instant picture	184,804	10.1	11.9
Movie color	12,353	0.1	0.8
Still b&w	5,309	3.3	0.3
Processing	543,090	9.4	35.1
Flashbulbs/flash attachments	214,192	1.2	13.8
Cameras	54,040	10.7	10.0
Blank & prerecorded video cassettes	67,937	5.3	4.4
Total	$1,547,385		100.0

Source: *Drug Store News* 1989 survey of drug chains

Special events generate most film purchases

(When consumers say they buy film; percentage of total responses*)

Just before a special event	**66.5%**
Just before vacationing	**53.8**
During regular shopping	**38.3**
While on vacation	**26.2**
When dropping film off for processing	**24.2**
On impulse	**16.8**
When picking up processed film	**15.6**

*Numbers add up to more to 100 due to multiple responses.

Source: 1988 Consumer Photographic Survey, by the Photo Marketing Association, and *Photo Marketing Magazine*

Drug stores are No. 1 photofinishing source

(Percentage of responses*)

Drug store	**43%**
Discount store	**27**
Mail order	**24.6**
Supermarket	**20.9**
One-hour photo lab	**18.7**
Camera store	**13.4**
Other	**19.4**

*Numbers total more than 100 due to multiple responses.

Source: 1988 Consumer Photographic Survey, Photo Marketing Association

Discount prices on popular speeds in 35mm format are displayed at front-of-store in this Orlando, Fla. Walgreens.

When do consumers take more pictures?

(Percentage of responses, with multiple responses)

More/new children	**33.8%**
Acquired new or better camera equipment	**22.8**
More travel	**13.9**
Increased proficiency	**11.9**
Growing family/change in family status	**9.3**
Other	**31.4**

Source: 1988 Consumer Photographic Survey, Photo Marketing Association

Mass merchandisers will gain share of mini-lab-developed exposures

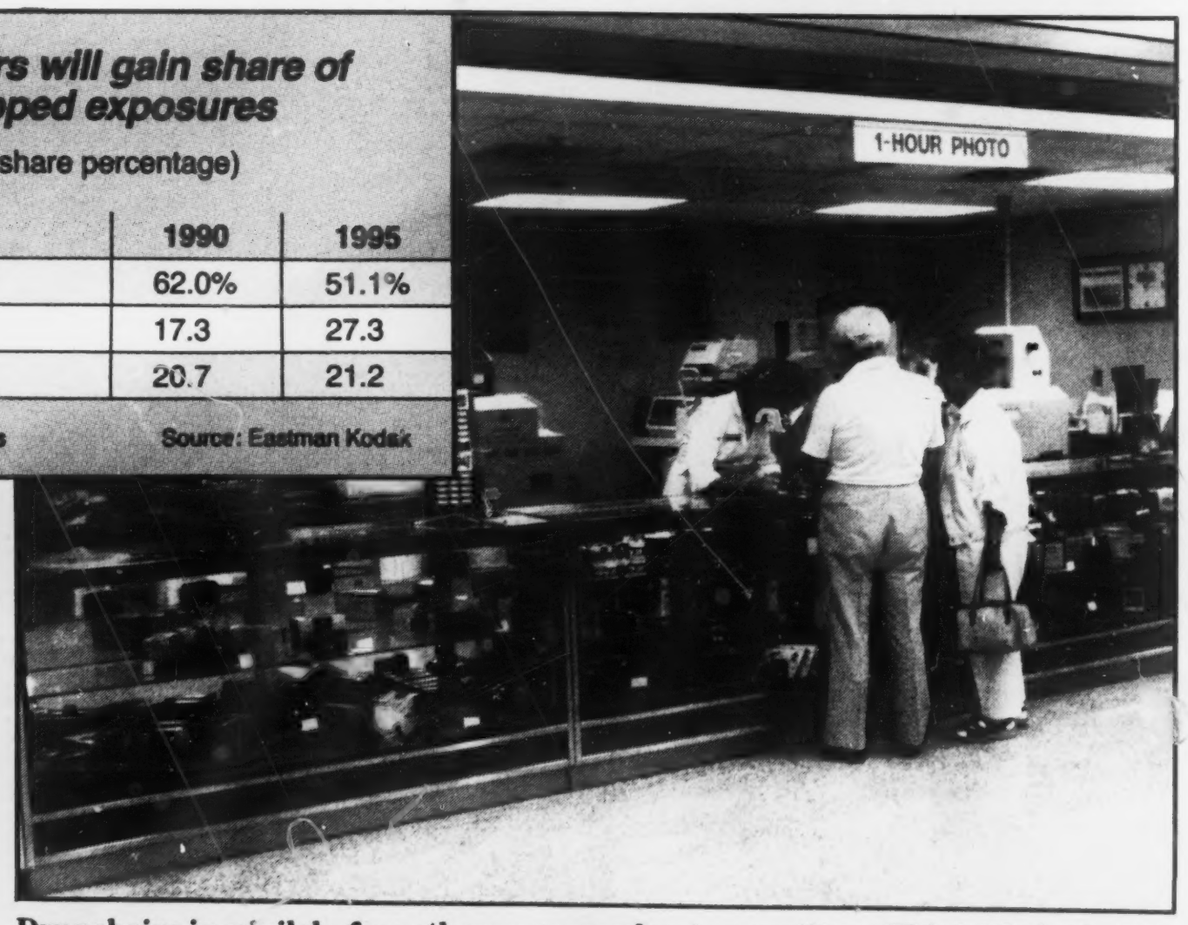
(Projected market share percentage)

	1990	1995
Stand-alone labs	62.0%	51.1%
Mass merchants*	17.3	27.3
Small retailers	20.7	21.2

*Chain drug, grocery and discount stores

Source: Eastman Kodak

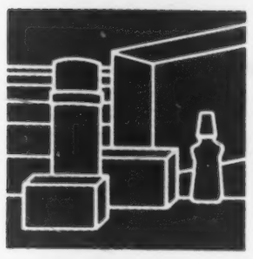
The center of an extensive film/photo department, this service bullpen is near the rear-of-store pharmacy at Fantle's.



Drug chains in minilabs face other mass merchant competitors. This lab helps build a one-stop environment for a Publix supermarket.

Annual Report Part II: Candy

1988: How sweet it was for chain candy sales



Candy sales grew nearly 11 percent to $1.3 billion at drug chains last year, dispelling notions that Americans are flat-out watching their eating habits and foregoing candy as snacks.

Heavy candy eaters, in fact, may help the National Candy Wholesalers Association reach its goal of "25 by 95"—25 pounds per capita consumption by 1995. Latest figures show per capita candy consumption weighing in at an estimated 19.5 pounds.

Drug stores helped add a few pounds to that figure in 1988 too, by finding new ways to increase candy sales, partly because buyers forecasted the category as a strong growth area for 1989.

Last year was a sweet one for candy sales, with bagged candies advancing most rapidly at 12.8 percent, followed by bars at 10.3 percent. Chains devoted more space to the category both near checkouts and entrances and at endcaps and other off-shelf displays.

Other chains used non-conventional department fixtures, and incorporated count candies (single bars) in their mix.

Perry changed its display fixtures in its candy department to basket configurations, and reported that turns increased by 20 percent. Unit sales were up 30 percent.

Various marketing strategies

Walgreens, for example, has always been successful in exploiting the candy category, because the Deerfield, Ill.-based chain gives the department plenty of off-shelf exposure. By continuing to promote candy year-round, and not just seasonally, Walgreens captured more impulse sales of higher-margin unadvertised confectionery items.

Meanwhile, Drug Emporium started supplementing bagged candy purchases with count candies. The chain bought at least 500 lbs. or more on a direct store basis to get the best price bracket possible. With this system, the stores made their weight without buying too many bags. Displaying count candies at the register helped Drug Emporium make its minimums, while increasing impulse sales of single bars.

Perry Drug turned to basket presentations instead of the traditional shelf merchandising program which it used previously in the candy department. Perry's assortment suffered because a broad variety of product couldn't be displayed, but the brands stocked were able to turn much better from these grocery-style baskets.

Turns were up 20 percent in Perry's candy department, and unit sales increased by 30 percent. Perry made sure it stayed in stock on the best-selling brands, and changed its pricing strategy. Instead of looking for a single sale, bars were priced at three for 99 cents.

Many drug chains used this three- and four-for-a-dollar pricing strategy last year, especially on king-size candy bars like those sold in movie theatres. Promoting the king-size bars this way gave the chains the opportunity to sell a good value at a price point that generated profit.

King-size bars of the "big three"—M&M/Mars, Hershey's and Nestles—continued to be top sellers in drug stores. Chain drug candy buyers noticed a nostalgia trend in 1988 among candy buying-adults. This trend, buyers believe, may have attributed to increased sales of the above brands.

One of the greatest pleasures

Adults yearned to remember a simpler time in their lives, when eating their favorite candy bar was one of their greatest pleasures. Not suprisingly, their childhood candy bar best-sellers are still a hit with adults today, and will probably continue to be popular tomorrow.

In imported chocolates, Mon Cheri and its sister brand, Roche chocolates, along with Andes mints, Tobler and Cella Cherries were strong drug store favorites.

Tic Tac and Life Savers had good growth in the sugar-type confectionery category, several chain drug buyers reported. Brach's and Whitman's also got good reviews from buyers in the boxed chocolate segment, which the chains merchandised regularly as well as at times like Mother's Day, Valentine's Day, and Christmas.

The candy category will continue to be a hot one to watch for in 1989, retailers predicted in *Drug Store News'* Hot Categories Survey. Fifty eight percent of retail drug merchants surveyed said snack foods/candy/convenience foods would be one of the hottest merchandising categories in 1989, with sales increases approaching 13 percent.

1988 candy department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Bagged	$ 524,520	12.8	39.9
Bars	390,648	10.3	29.7
Boxed	258,833	9.1	19.7
Chewing gum	120,846	9.0	9.2
Other	20,373	7.1	1.5
Total	$1,315,220		100.0

Source: *Drug Store News* 1989 survey of drug chains

1988 candy department highlights at chain drug stores

Chain drug candy sales	$1,315,223,000
1988 percentage increase	10.9%
Percentage of total chain drug sales	3.7%
Typical gross margins	25% - 30%
Industry profit yield from candy last year	$330,000,000 - $395,000,000
Average annual department turns	7.5

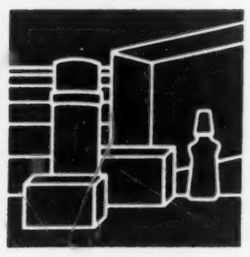
Source: *Drug Store News* survey

Single chocolate bars are a big hit with children, and many drug chains used a three- and four-for-a-dollar pricing strategy to capture multiple sales.

Bagged candies, the mainstay of chain drug candy departments, are displayed adjacent to seasonal toys in gondola display at Kerr.

Chains strengthened from consumables sales

Pet food, paper goods and packaged groceries spur a $1.5B business



Chain drug stores are continuing to benefit from the sales of edible and non-edible grocery store items.

Grocery product buyers told *Drug Store News* that sales of select foods and drinks in chain drug stores (excluding candies, juices and bottled waters) were up nearly 7 percent last year to $1.5 billion. By including the sales of non-edible groceries, such as household chemicals, paper products and pet foods, the total volume of groceries through non-food outlets like drug stores becomes even more significant, up about 10 percent to more than $6 billion.

These are the latest estimates that *Drug Store News* has been able to obtain based on research done by *Food Merchandising For Non-Food Retailers. FM* is a special supplement that is published quarterly by *Drug Store News* and its sister publication, *Discount Store News*.

Longs Drug has always given a generous amount of space to groceries in its super drug stores. Here shoppers appreciate Longs' success at delivering a strong presentation through product assortment.

Almost one-third of consumers buy some groceries in drug stores. They're motivated by low prices, convenience and impulse. Putting traditional items like garbage bags close to snacks and beverages helps build multiple sales.

Growth areas in grocery products

The fastest growing consumables category in drug stores last year was pet foods, up 27 percent in dollar sales to $85 million. Paper goods, such as toilet and facial tissues, paper napkins and towels were up nearly 16 percent to $1.4 billion. Soaps and household cleaners rose 10 percent to $430 million.

At drug chains, buyers reported their strongest growth is in packaged groceries, up over 12 percent; canned goods, up 10 percent and snacks, up 14 percent in 1988.

Promotional activity drove much of these gains. Chains continue to aggressively promote brands like Tide, Bumble Bee, and Quaker Oats as traffic builders, but many chains are also offering a fairly broad selection of traditional grocery products as "convenience" items. To maximize sales in this type of program, chains are building off-shelf displays more consistently for groceries and signing the various departments so consumers know that select high consumption grocery categories are available.

Chains use groceries as "convenience" items

At Eckerd, Walgreens and Thrifty Drug, for example, many stores have convenience food departments. They intend to train consumers to save time by shopping these stores for fill-in trips between supermarket visits. Drug store operators, in general, have become more selective in the groceries they carry. Today's grocery buyer bases decisions on historical movement data.

"There is a strong growth in groceries," said Peter Agostino, senior buyer of convenience foods at Eckerd Drug, "but it's there for the right items. You can't just put in anything."

To that, Jim Muir of Dunaway Drug in Atlanta added, "We're buying more promotional groceries, because I feel more confident about the category. I'm able to weed out what the slow movers are, and I know what works for us."

Buyers said their first concern is to get well-known brand items into their grocery programs, because that is how shoppers identify value and these products will turn fastest.

At Wellby Drug in Maine, for example, buyer Paul Desjardins said he reduced his inventory to improve turns, but instead of losing sales, he found that sales continued to rise. "Sales are still going up because we're promoting more," he said, "but we've cut out all the dead items and run only what we know sells."

At Dot Drug, the deep discount drug store chain owned by Wal-Mart, vice president Clarance Archer said promotional grocery sales are also up, because Dot is featuring "the things people use everyday: cereals, peanut butter, juices, canned meats, tomato sauces, spaghetti, applesauce. These are good convenience items that bring people back in," he said.

Tracking promotional trends

Not long ago, *FM* sponsored a grocery buyer survey designed to identify how many drug chains were promoting groceries, and whether the frequencies of promotions were growing or declining.

The survey was conducted by Lebhar-Friedman Research and in-

Continued on page 104

1988 grocery-snacks-soft drinks-liquor-beer-wine highlights at chain drug stores

Chain drug sales	$1,526,001,000
1988 percentage increase	6.5%
Percentage of total chain drug sales	4.2%
Typical gross margins	15% - 20%
Industry profit yield last year	$230,000,000 - $305,000,000
Average annual turns	5.0

Source: *Drug Store News* survey

1988 food/liquor department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Liquor/wine	$ 709,298	5.6%	46.5%
Soft drinks	216,470	4.2	14.2
Nuts	125,706	5.8	8.2
Snacks/cookies/chips	124,197	13.6	8.1
Beer	93,219	1.7	6.1
Canned goods/condiments	67,929	9.5	4.5
Dry packaged groceries	61,070	12.4	4.0
Other foods (excl. candy)	128,110	9.3	8.4
Total	$1,526,001		100.0

Source: *Drug Store News* 1989 survey of drug chains

Chains strengthened from consumables sales

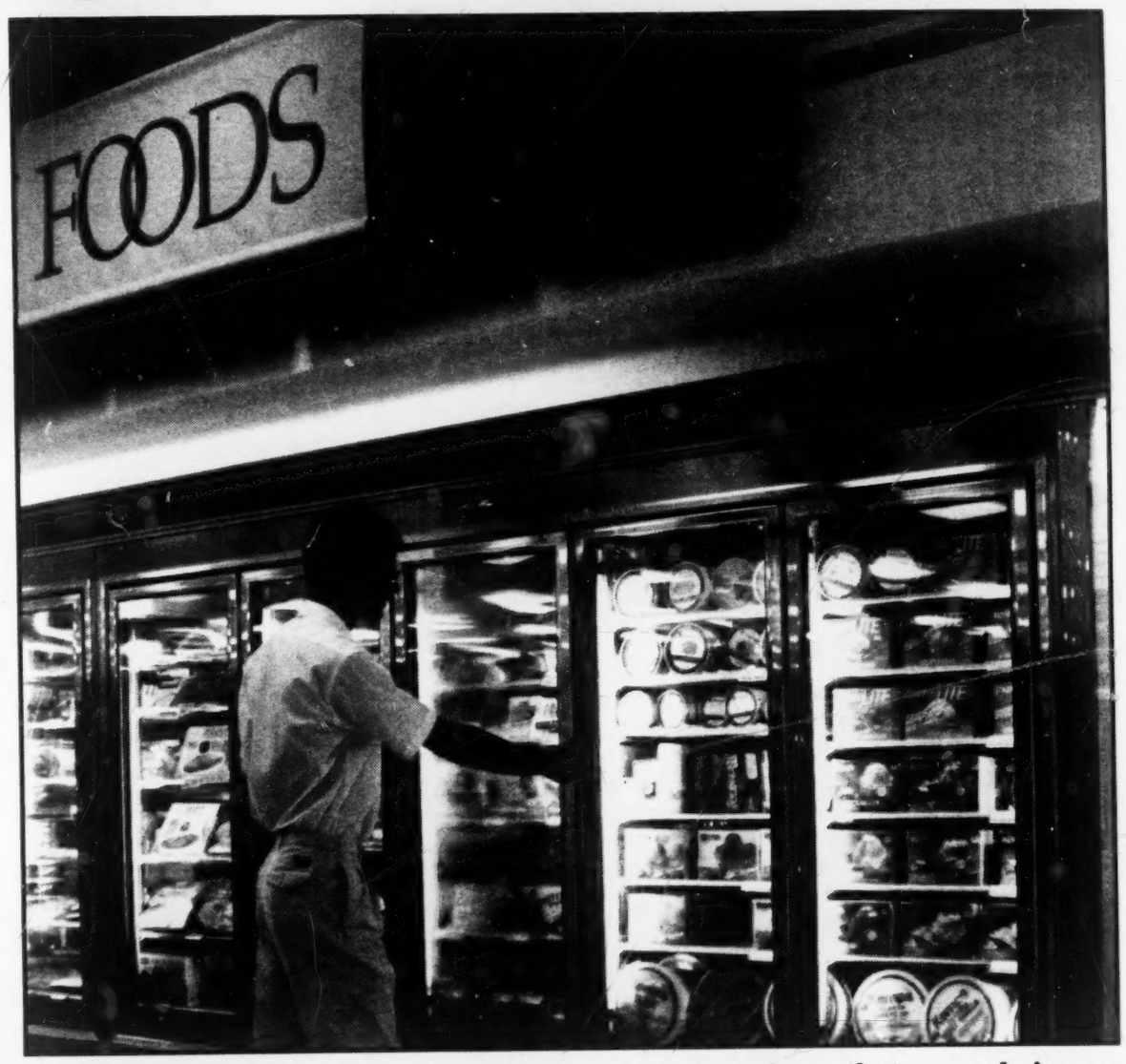
Continued from page 103
cluded responses from 30 major drug chains.

Among the findings: At least nine in 10 chains were promoting the more traditional drug store grocery product categories like snacks, chips, candy and gum, soft drinks, household cleaners, garbage bags and paper products.

But more than 70 percent were also promoting food wraps, pet foods, bottled waters, juices, and packaged groceries, and with the exception of bottled waters, at least eight out of every 10 respondents promoted these categories at least once a month, and more than half the respondents were promoting many of these categories weekly.

One-third of respondents also said they were promoting these categories more often today that they were in 1987. Perhaps even more significantly, less than 5 percent said they were promoting any of these categories "less often."

In some of the more frequently promoted categories like soft drinks, candies, snacks, pet foods, cleaners and



Food has proven so popular in drug stores as convenience items that many chains are installing coolers and freezers. Ice cream is a popular seller, as are frozen entrees. Coolers are often used to merchandise cold single-serve beverages, creating more opportunities for impulse sales.

Because buyers felt they possessed 'closer and more flexible' working relationships with manufacturers and brokers, many said they were actually making more money on the promotions.

juices, for example, buyers reported year-to-date sales up as much as 20 to 30 percent over a year earlier. Because buyers described themselves as "more sophisticated" with these categories and in possession of "closer and more flexible" working relationships with manufacturers and brokers, many said they were actually making more money on the promotions.

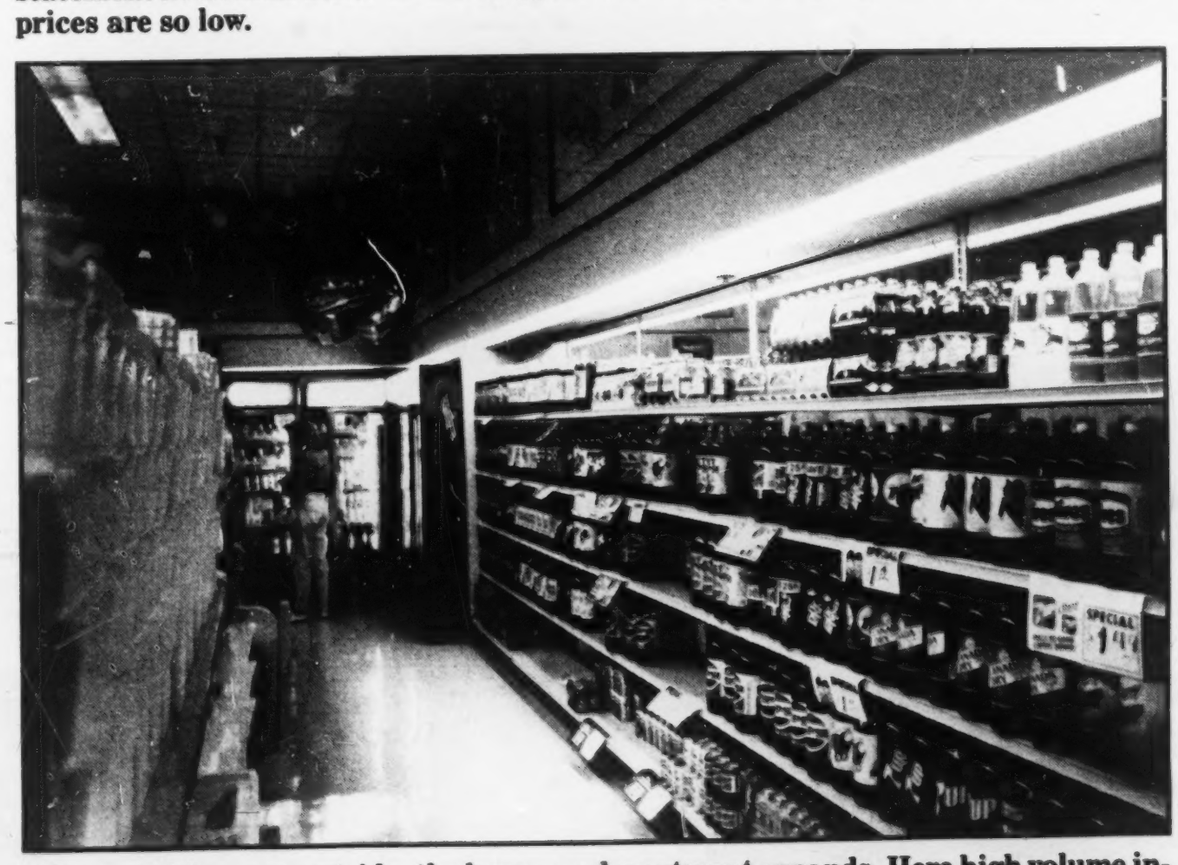
Just about every buyer agreed that there was no interest on their part to "give groceries away." They wanted to be competitive on the brands they advertised so they could achieve their main objective: more traffic and incremental impulse sales. But they wanted to accomplish this with programs that made them money, and many said this was now much easier to accomplish than it had been in prior years.

Many of the buyers gave special credit to the manufacturers and brokers who helped custom-tailor promotions for individual drug chains.

"I could complain about some manufacturers," says Andy Horn, who buys groceries for Harco Drug in Alabama, "but some are beginning to respond much better to the drug trade. They're finding the food industry is saturated, so they're slowly, but surely coming to us for growth. Today, I can get most of the same deals the grocery chains are getting."

"It still varies widely," said the buyer for one of the industry's biggest chains, "and many of the big companies try to stick with the food industry's 2 percent in 10 days. But when the companies aren't so big, you can negotiate

Deep discounter Rx Place uses supermarket mass merchandising to make a strong statement in its food aisle. Often shoppers will make multiple purchases because the prices are so low.



Whenever it's warm outside, the beverage department expands. Here high volume independent Loomis Drug takes advantage of sunny Florida weather to merchandise soft drinks directly across from coolers.

2 percent in 30 and sometimes even 2 percent in 60 days."

Manufacturers like Coca-Cola and Pepsi-Cola are also creating new types of promotions for the drug and discount trade, promotions that rely more on such value-added incentives as discounts on popular videotapes like "E.T." or the Disney Classics to sell soft drinks, rather than just price reductions.

Other manufacturers are also doing special packs that give the drug chains something unique to sell, which again gives the non-food industry a special incentive that food stores cannot match. "They'll do special packs for us now where before it was very hard to get this kind of service," said Eckerd's Agostino.

Manufacturers and brokers will also help a buyer decide on how much to buy so he can maximize sales opportunities without stocking too much inventory in his or her stores. Brokers will also often guide a buyer to the best time to break the ad, to minimize banging heads with a food chain's ads.

In other instances, manufacturers

'I could complain about some manufacturers,' says Andy Horn, who buys groceries for Harco Drug in Alabama, 'but some are beginning to respond much better to the drug trade.'

will work directly with buyers to come up with dollar-building promotions. Lever Brothers has repeatedly helped Perry Drug create special promotions. For one Dollar Day ad, they developed a deal on a six pack of Lux bar soap that sold for $1, and yet made money for Perry. On another occasion, they developed a rebate promotion for Surf that Perry sources say was "very, very successful."

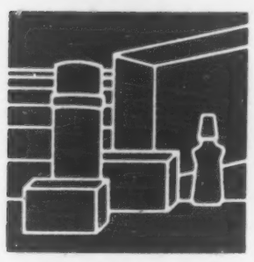
Over the long haul, most buyers think they can continue to make the grocery categories grow in their stores. They point out that their base is relatively low in some of the highest-tonnage categories like pet food, and they add that stronger merchandising programs have resulted in very dramatic gains in even the more traditional categories like candies, snacks and soft drinks.

"Food will have to be more important to the non-food chains," says Harco's Andy Horn. "As grocery, drug and discount stores start to look more and more alike, we'll all be trying to draw traffic from each other. The grocery chains moved first by putting in pharmacy and H&BA to draw traffic from us. Now it's just natural for us to put in more groceries to try to draw traffic from them."

Eckerd's Agostino said, "Having these products in our stores tends to enhance our convenience image with our customers. And we don't have to have a large assortment. If we carry the right brands in the right categories, we do well, and our stores benefit from the added traffic."

Tobacco still strong seller despite challenges

Manufacturers contending with health concerns and increasing taxes



Every retailer knows the tobacco market remains on a steady decline, but even with unit sales draining away at 2 percent or more a year, the category still wields a lot of strength. Tobacco remains a big cash producer and a solidly entrenched part of the drug store mix, despite its problems.

The problems have become married to the business. Tobacco manufacturers are contending with three big ones, according to Brennan Dawson of The Tobacco Institute: growing legal restrictions to smoking in public places as health concerns and negative publicity continue to mount; new drives to boost cigarette excise taxes at the federal and state levels; and new efforts to ban all forms of tobacco advertising, including the use of in-store display ads.

There have also been moves by U.S. Surgeon General C. Everett Koop, Sen. Bill Bradley and others to label cigarettes as addictive drugs. Said Dawson, "I think we're going to hear a lot more about it."

On the retail side, chain drug merchants are faced with other challenges in selling tobacco products. Among them: relatively low gross margins in comparison with many categories; confusing brand segmentation which makes it necessary to stock more than 100 cigarette SKUs; possible conflict with a drug store's overall health care message; high levels of pilferage; and space problems.

Nevertheless, drug chains remain committed to the category for obvious reasons. Despite the efforts of anti-smoking groups and continuing increases in price and taxes, cigarettes retain enormous retail clout. They sold to the tune of some 560 billion units last year and generated at least $37 billion in revenues last year, 9 percent of which went to drug stores, according to Brown & Williamson Tobacco Co. Cigarettes continue to grow in dollar volumes despite 2.1 percent unit declines over the past several years. They produce a rapid 15 annual turns and steady, predictable cash flows.

At drug chains in 1988, tobacco volume rose nearly 4 percent to $2.4 billion. The department generates 6.6 percent of total chain drug sales.

In addition, years of negative publicity and anti-smoking efforts have failed to convert the industry's solid core of loyal, smoking customers. There are still 50 million smokers in the U.S., according to most estimates.

> 'I don't think the price hikes in themselves have affected cigarette sales much,' said one chain drug merchandise manager recently. 'They're still something we're going to carry for our customers, even if we don't wave the flag on it. We're still stocking over 100 brands.'

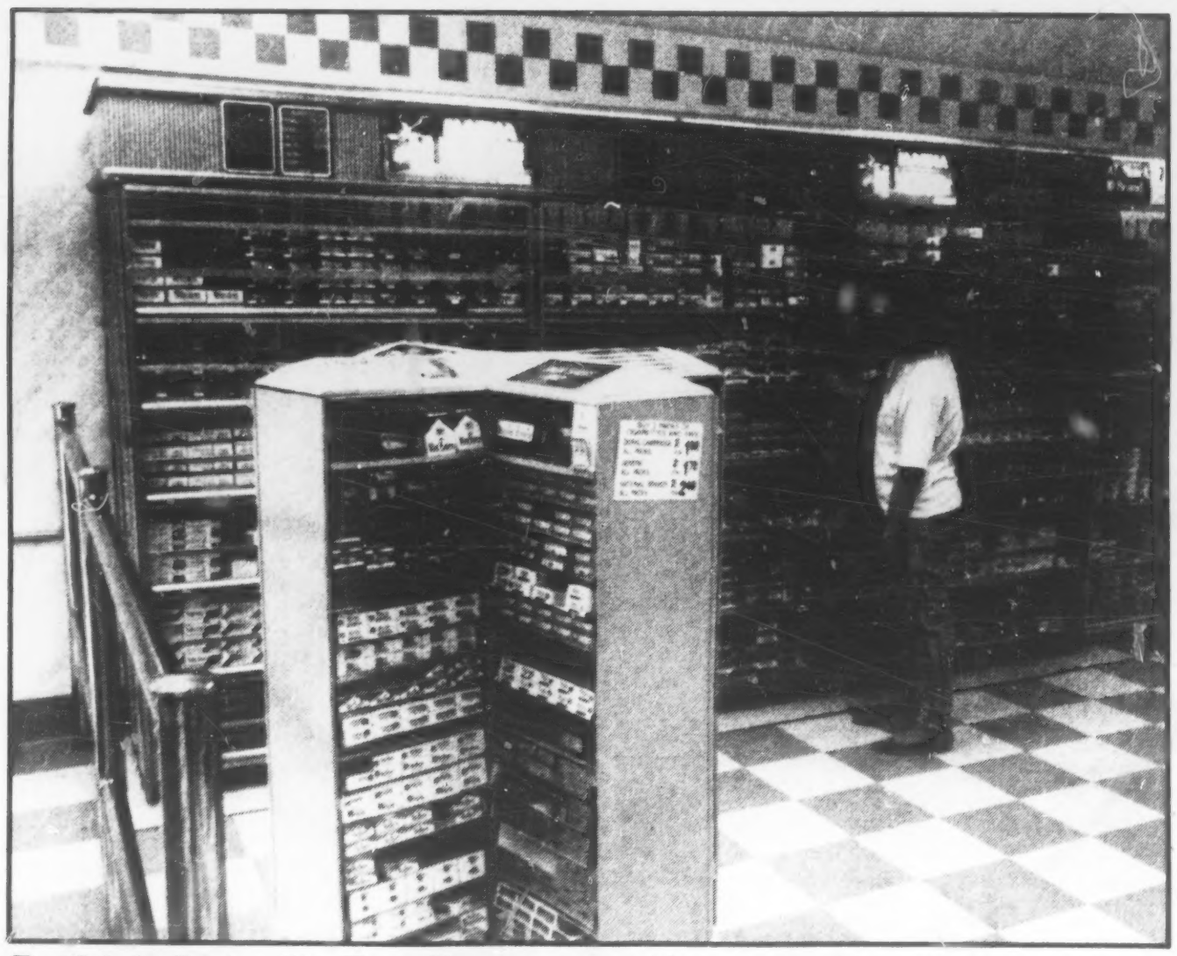
"I don't think the price hikes in themselves have affected cigarette sales much," said one chain drug merchandise manager recently. "They're still something we're going to carry for our customers, even if we don't wave the flag on it. We're still stocking over 100 brands."

"We're cutting down on the lesser brands to conserve space, but in spite of all the bad publicity, our volume has not dropped," said another. "They still generate a lot of dollars."

Even if the core group of users continues to decline, tobacco companies are pushing hard to convert a new generation to the habit to pick up the slack.

Their main efforts, however, continue to focus on the grueling battle for market share. In a business where each point of share is worth

Continued on page 110



Fantle's in Centreville, Va., offers a comfortable, easy-to-shop self-service tobacco department near the front of the store.

The price/value segment gains in market share

	Share of Total Market			Share of P/V Segment		
	1987	1988	Change	1987	1988	Change
Branded generics	4.1	.0	+1. 9	40.6	54.5	+13.9
Black and whites/ Private label	4.1	3.3	−0.8	40.6	30.0	−10.6
Value 25s	1.7	1.2	−0.5	16.8	10.9	− 5.9
Price off	0.2	0.5	+0.3	2.0	4.6	+ 2.6
Total	10.1	11.0	+0.9	100.0	100.0	

Source: John Maxwell, Jr., analyst, Wheat First Securities, Richmond, Va.

The top ten cigarette brands: Marlboro man corrals more market share

	1987		1988		
Brand/Manufacturer	Volume*	Share	Volume*	Share	% Change
Marlboro/Philip Morris	134.57	23.6%	138.82	24.9%	+3.2
Winston/RJR Nabisco	63.28	11.1	60.01	10.7	−5.2
Salem/RJR Nabisco	43.80	7.7	40.53	7.3	−7.5
Kool/Brown & Williamson	34.33	6.0	33.58	6.0	−2.2
Benson & Hedges/ Philip Morris	24.36	4.3	22.15	4.0	−9.1
Newport/Lorillard	24.23	4.2	24.80	4.4	+2.4
Camel/RJR Nabisco	24.18	4.2	24.20	4.3	+0.1
Merit/Philip Morris	22.17	3.9	21.38	3.8	−3.6
Virginia Slims/ Philip Morris	17.51	3.1	16.85	3.0	−3.8
Doral/RJR Nabisco	17.22	3.0	18.70	3.4	+8.6

*In billions of cigarettes sold

Source: John Maxwell, Jr., analyst, Wheat First Securities, Richmond, Va.

Tobacco manufacturers are contending with. . .growing legal restrictions to smoking in public places as health concerns and negative publicity continue to mount; new drives to boost cigarette excise taxes at the federal and state levels; and new efforts to ban all forms of tobacco advertising. . .

1988 tobacco department highlights at chain drug stores

Chain drug tobacco sales	$2,364,221,000
1988 percentage increase	3.8%
Percentage of total chain drug sales	6.6%
Typical gross margins	15% - 30%
Industry profit yield from tobacco last year	$360,000,000 - $710,000,000
Average annual department turns	15.0

Source: *Drug Store News* survey

1988 tobacco department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Cigarettes	$1,595,887	4.1	67.5
Cigars	356,502	2.0	15.1
Lighters/smoking accessories	22 ,719	6.0	9.4
Tobacco/tobacco products	164,490	2.2	7.0
Pipes	26,223	1.7	1.1
Total	$2,364,221		100.0

Source: *Drug Store News* 1989 survey of drug chains

Annual Report Part II: Tobacco

Cigarette sales are twinned with video rentals at this Phar-Mor, so one employee can oversee both categories at the service counter.

Drug stores pick up cigarette market share in '88

(Percentage of sales, by retail outlet)

Trade class	1987	1988
Supermarkets	29%	30%
Convenience stores	19	18
Independent grocers	13	13
Gas stations	10	10
Drug stores	8	9
Vending	8	8
Discounters	7	7
Other	6	5

Source: Brown & Williamson Tobacco Corp.

Tobacco market remains strong despite dropoff

Continued from page 109

about $370 million in revenues, that battle has become ever more intense.

In 1988, Philip Morris rode its dominant Marlboro brand to new heights. Marlboro now accounts for one of every four cigarettes sold domestically, and it was one of the few brands last year to actually boost its unit sales.

"Philip Morris was up 1.5 points (in 1988), ending the year at 39.3, the largest share of any company since 1931," reported industry analyst John Maxwell of Wheat First Securities. "Philip Morris owes its success to the consistent growth of Marlboro, aided by the national introduction of Marlboro Lights Menthol, and Cambridge, the fastest-growing branded generic."

Big success story

Branded generics, in fact, have become a big success story for tobacco companies. Their rapid acceptance has driven the price-value segment of the industry to capture more than 11 percent of the total cigarette market in a few short years.

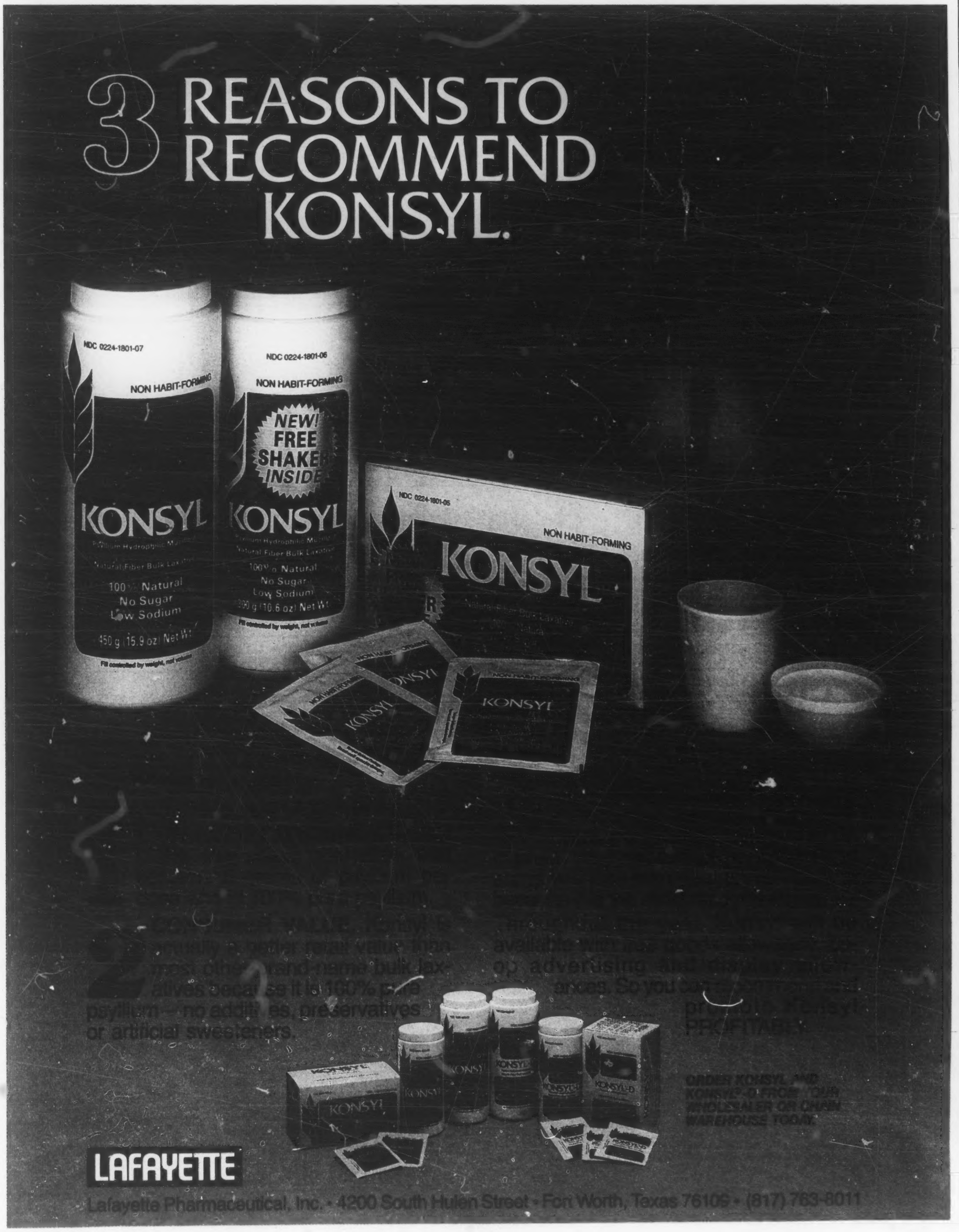
Last year, R.J. Reynolds' Doral, the first branded generic, jumped into the top 10 biggest-selling cigarette brands with a 3.4 share of the market. And Philip Morris' Cambridge, another early entrant to the low-price segment, jumped over half a share point to end the year with 1.7 percent of total sales, according to Maxwell.

"It appears that even in the value segment, consumers are moving to name brands as evidenced by the growth of the branded generics," Maxwell noted in his report on 1988 cigarette sales.

The action at the price-value end of the market has sparked numerous entries of branded low-price cigarettes, including Liggett's Chesterfield Lights and Pyramid Lights, American Filters from American Tobacco, RJR's Magna and Century, and Brown & Williamson's Richland.

Moving to a price-value positioning seems to be a way for companies to revive flagging full-price brands, as well. In recent months, Brown & Williamson's Viceroy and Philip Morris' Alpine have been restaged as price brands.

Another effort to boost declining sales failed earlier this year when RJR cancelled its short-lived Premier brand, the industry's first low-smoke cigarette. Despite years of experimentation and several hundred million dollars in development costs, Premier met with a host of problems from the moment it was launched in late 1988. Among them: consumer complaints about lack of taste, FDA concerns about the cigarette's possible classification as a drug, and Premier's unusual, "smokeless" delivery system.



Drug chains cleaning up with basic housewares driving eight percent gains

The huge housewares industry remains a discount store specialty, but with total sales of more than $30 billion, the category is big enough to rack up big revenues through many trade classes, including the nation's drug chains.

Drug stores account for 4.6 percent of the total housewares market, according to a recent study prepared by Touche Ross & Co. for the National Housewares Manufacturers Association. That is no match for the 26.5 percent of the market Touche Ross gives the discount store chains, but it is enough to make housewares an important and steady performer for drug chains.

Overall housewares volume at drug chains rose 7.8 percent in 1988 to more than $2.2 billion. The department generates 6.2 percent of total chain drug sales, making it the fifth-largest volume contributor to this class of trade. Housewares generates healthy 35 to 45 percent margins.

"Drug stores are not going to be the image-makers in housewares, but it's a worthwhile market for them to give close attention to," is the way former Associated Chain Drug Stores president Ira Shain described the category.

"The chains have to make a decision on what they can sell, and leave the innovation in housewares marketing to the big department stores," said Shain. "But for the chains that devote some time to this category and give it a good presentation, it will more than pay off."

'. . . for the chains that devote some time to this category and give it a good presentation, it will more than pay off.'

The back-to-basics movement among drug retailers has shuffled the merchandise mix in many stores but left housewares basically intact. And while chains like Revco and Perry have scaled back on items like small electric appliances and knockdown furniture, they have also beefed up on microwave cookware, closet storage organizers, humidifiers and other products.

At the International Housewares Exposition in January, chain drug buyers found plenty to keep their interest, including standard kitchenware and cookware in new colors and designs, and a slew of entries that should do well in the drug store setting. Those sparking the most interest included water purification systems, humidifiers, anti-plaque and dental cleaning systems and home storage products.

Products to organize the home and office have become especially hot items as consumers try to maximize their space and time. Buyers at the January housewares show saw many, including home storage boxes in new sizes and new, more colorful designs; new types of soft, portable beverage coolers; fold-away ironing boards that hang in closets; and tote bags for children that attach to the back of an automobile seat.

Also finding their way onto drug store shelves in 1989 are more compact home bath whirlpools; larger, more efficient fabric shavers; a new generation of compact automatic coffee makers; personal care appliances and irons that shut off automatically; and new hair removal systems for women.

Shoppers look for the scrub brushes, brooms and mops that were advertised in a Pay Less NW circular. These items call for frequent replenishment and generate traffic when promoted.

1988 housewares department highlights at chain drug stores

Chain drug housewares sales	$2,244,837,000
1988 percentage increase	7.8%
Percentage of total chain drug sales	6.2%
Typical gross margins	35% - 45%
Industry profit yield from housewares last year	$790,000,000 - $1,010,000,000
Average annual department turns	3.0

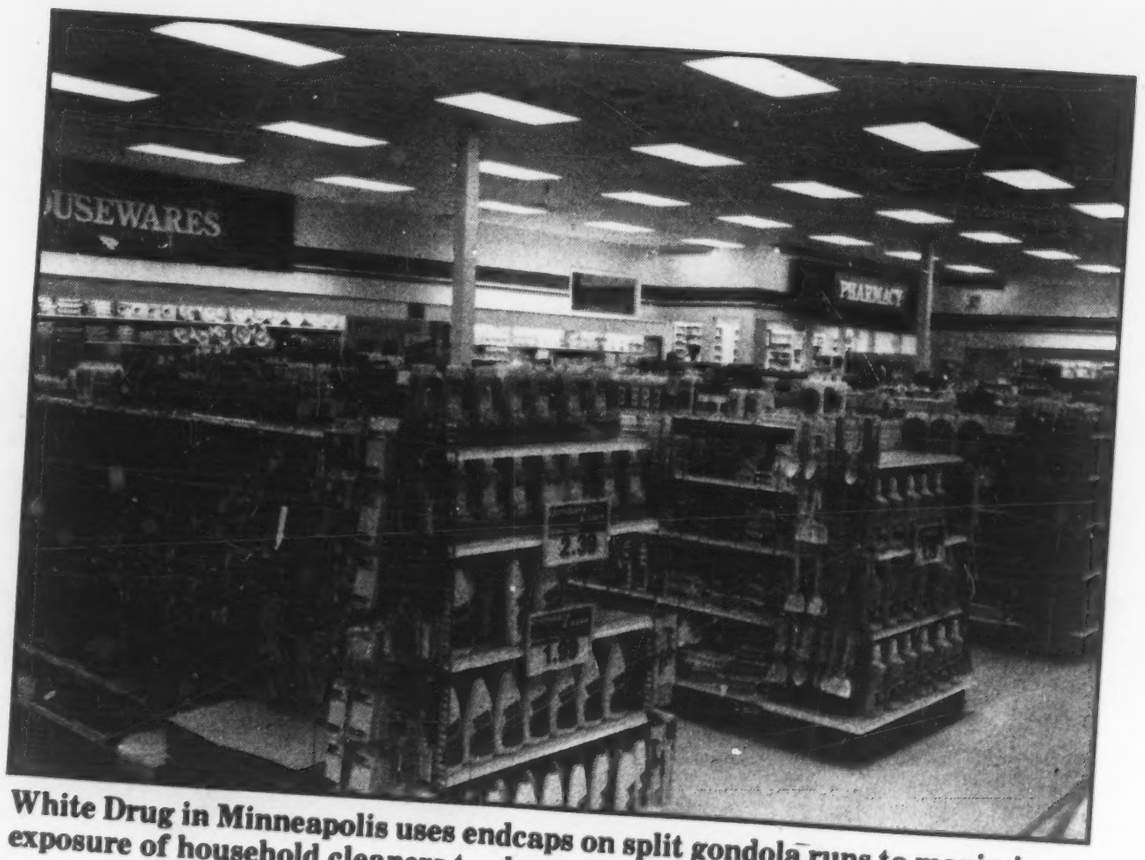
Source: *Drug Store News* survey

Chains are shifting to a basic housewares mix. This Phar-Mor display of microwave cookware, closet storage organizers and kitchen utensils typify the trend.

1988 housewares department productivity in chain drug stores

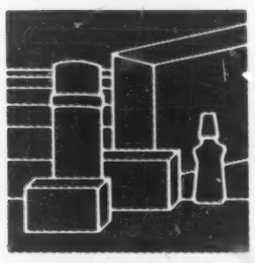
Category	1988 total sales (add 000)	1988 % increase	% of category sales
Plastic & rubber housewares	$ 489,744	10.9%	21.8%
Personal care	255,842	9.7	11.4
Household supplies	266,246	10.4	11.9
Small electrics	204,976	3.5	9.1
Glass/dishware/cookware	189,637	1.9	8.4
Paper products	171,073	9.8	7.6
House & kitchen gadgets/gourmet	126,805	5.5	5.6
Lighting products	108,508	10.6	4.8
Picture frames/mirrors	74,364	7.9	3.3
Insecticides	67,811	3.1	3.0
Furniture/outdoor furniture	56,133	2.1	2.5
Plant/plant care	51,184	2.8	2.3
Bath/closet	41,386	11.8	1.8
Vaporizers/humidifiers	23,231	4.0	1.0
Giftware	27,427	5.4	1.2
Miscellaneous	90,472	8.2	4.0
Total	$2,244,837		100.0

Source: *Drug Store News* 1989 survey of drug chains



White Drug in Minneapolis uses endcaps on split gondola runs to maximize exposure of household cleaners to shoppers in mid-store aisle.

Chains enjoy toy sales play from games, cars



At drug chains, perennial favorites such as games, pegged goods and cars led the toy advance.

Few new products stirred the category, as the nation's drug chains managed an 8.5-percent sales gain to $799 million. This outpaced the national 3.9-percent total toy industry increase in 1988, as measured by the Toy Manufacturers Association.

Sales trends noted in the charts on this page ran pretty true to form at Douglas Drug, based in Rhode Island, buyer Paul Chabot told *Drug Store News*. He cited basic games, puzzles and pegged goods as the chain's top performers last year. Douglas sells toys generally under $10 retail, including pegged items at $2 to $3.

It is a year-round business at the chain, worth 24 to 48 feet, depending on the store. When toys are in the larger format, depth rather than product assortment increases.

Just how much space to devote to toys is a decision many chains are wrestling with as they review the importance of all general merchandise categories.

At Kerr in North Carolina, the chain has cut in half its once 56-foot toy selection, preferring instead to give the space to the growing stationery-home office category, toy buyer William Carpenter said. The chain didn't eliminate any toy segments, but did consolidate facings within its existing selection. The enhanced profitability of stationery was the key driving force behind the change, Carpenter said.

Affiliated/Associated toy buyer Richard Glassman said, however, "the opportunity for profits is certainly there [with toys] because there are no giveaways." Furthermore, he said chains can maintain this profitability whether they stock toys everyday or seasonally.

Snyder opts for the latter approach, stocking toys only in the fourth quarter and summer months, according to buyer Rick Burns.

During the past year, basic toys led category sales at Snyder. Burns said the continued proliferation of adult-oriented games, plus games aimed at neglected age groups—like Girl Talk for teenage girls—made the overall game category the primary toy sellers at Snyder. The chain also did well with basic dolls, cars and trucks, while the lack of any strong licensed product meant little movement in this particular area.

Looking ahead, Burns said he expects games to again be strong, along with pre-school toys. Although the upcoming "Batman" movie is receiving considerable press attention, Burns is not confident that this will translate into strong licensed toy sales.

Some toy segments perform better than others, but the department overall appeals to shopping families and helps to extend the store visit.

1988 toy department highlights at chain drug stores

Chain drug toy sales	$799,161,000
1988 percentage increase	8.5%
Percentage of total chain drug sales	2.2%
Typical gross margins	35% - 40%
Industry profit yield from toys last year	$280,000,000 - $320,000,000
Average annual department turns	4.0

Source: *Drug Store News* survey

Vehicles pace toy sales gains

Toy shoppers typically chose traditional and imaginative playthings in 1988. Vehicles, such as toy cars, trucks and trains led sales gains nationwide, followed by activity toys, games and puzzles, the Toy Manufacturers Association's annual survey showed.

The focus on vehicles, which scorched a 31.4-percent sales gain, follows a year in which ride-on toys was the hot category. The story changed in 1988: Ride-on sales skidded 3.8 percent.

In dollar volume, activity toys outpaced vehicles with sales of $1.38 billion. (The dollar value reflects the first billing value for the item, such as at wholesale.) Vehicles came in second with $1.28 billion, followed by games and puzzles at $950 million.

In terms of unit movement, activity toys advanced 14.1 percent, vehicles 12.7 percent and games and puzzles 6.2 percent.

Plush toys, action figures and guns all experienced unit declines.

Activity toys showed large unit advances nationwide. Here, LaVerdiere's wisely makes a big baby care statement by cross merchandising with diapers, wipes and formulas.

1988 toy department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Games	$154,042	11.6%	19.3%
Pegged toys	117,006	8.9	14.6
Cars	107,629	13.0	13.5
Boxed toys	97,381	4.9	12.2
Preschool	77,204	6.1	9.7
Dolls	60,073	7.9	7.5
Plush	58,813	3.6	7.4
Hobbies	42,004	3.4	5.3
Miscellaneous/seasonal	85,010	10.4	10.6
Total	$799,161		100.0

Source: *Drug Store News* 1989 survey of drug chains

Vehicles and activity toys led 1988 sales volume

(Sales in millions of dollars reflect first billing value)*

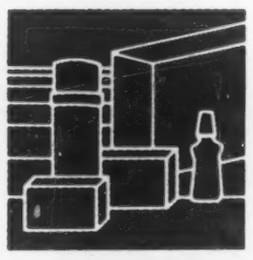
Category	1987 sales	1988 sales	% change
Vehicles, such as battery-operated cars	$ 971	$1276	31.4%
Activity toys, such as model kits and paint sets	1138	1382	21.4
Games and puzzles	830	950	14.5
Infant-preschool	776	867	11.7
Dolls and acccessories	867	966	11.4
Ride-ons, such as tricycles (excludes bicycles)	632	608	(3.8)
Guns	96	80	(16.7)
Action figures	702	523	(25.5)
Plush	1174	687	(41.5)
Total industry	8227	8546	3.9

*First billing value is the first price paid for the item in the U.S., such as at wholesale or port of entry.

Source: Toy Manufacturers Association

Gen'l merchandise category sales rise 5.2%

Core segments perform well in drug chains that give ample space



As drug chains reemphasize their core health and beauty businesses, the pressure on general merchandise categories to perform has intensified. Earn the space or be culled is the byword of merchants, who are scrutinizing these categories more than ever.

High margins alone are no longer the most important part of the equation. Inventory investment, turns, image and space management have drug store operators focusing their general merchandise efforts on a few core categories. Besides stationery and photo-video, they include batteries, hosiery, sunglasses, jewelry and lighting. Hardware and automotive supplies are also significant contributors at selected chains with the space and willingness to commit to complete assortments.

The general merchandise categories outlined here showed an overall 5.2-percent volume increase to nearly $1.8 billion at chain drug stores in 1988. In all, they accounted for 5 percent of this trade class's volume last year.

Deep discounters such as Great American, shown here, devote prime space to self-service hosiery displays to appeal to primary female shoppers.

Batteries

Battery sales continue to benefit from the popularity of portable audio, toys, flashlights and other devices. At drug chains last year, battery volume rose close to 10 percent to $206 million.

They sell best when merchandised in a permanent display near photo-consumer electronics, at checkstands and in remote locations near the devices they power. High visibility is crucial to generating rapid turns in this high-impulse category. Strong promotional activity, driven by manufacturer rebates, on-pack coupons and value-added offers, also enhance movement.

This all added up to batteries being ranked No. 1 in checkstand profitability, according to *Drug Store News'* Annual Checkstand Merchandising Study. Moreover, buyers expect batteries to be one of the hottest merchandise categories in 1989, with sales expected to jump an estimated 17.5 percent.

Alkalines continue to power sales, with its growth about 12 percent annually, yet drug store operators are finding opportunities with lower-ticket general purpose and super heavy duty cells, which are appropriate for different applications.

Hosiery

Drug chains are keeping a leg up on hosiery sales by using well organized supplier fixtures to clearly segment the many SKUs in this complex category. These hosiery centers are often set upfront for high visibility, or near cosmetics, where women shoppers can get recommendations on how to make a total fashion statement.

Hosiery sales grew nearly 11 percent at drug chains in 1988 to $252 million. That gain is largely attributable

Continued on page 119

Jewelry sells best when merchandised near cosmetics, where ladies can browse comfortably and consider total beauty statements.

Standard's light bulb center in a Washington, D.C. store features electrical accessories like outlet plugs and extension cords along with soft white and candelabra bulbs.

1988 general merchandise department highlights at chain drug stores

Chain drug general merchandise sales	$1,780,352,000
1988 percentage increase	5.2%
Percentage of total chain drug sales	5.0%
Typical gross margins	35% - 45%
Industry profit yield from general merchandise last year	$625,000,000 - $805,000,000
Average annual department turns	5.0

Source: *Drug Store News* survey

1988 general merchandise department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Pantyhose/soft goods	$ 251,902	10.7	14.1
Sunglasses	229,802	6.6	12.9
Batteries	206,097	9.6	11.6
Hardware	180,963	1.3	10.2
Pet needs	177,763	4.0	10.0
Automotive	176,986	5.2	9.9
Sporting goods	143,783	0.7	8.1
Watches/bands	120,252	4.3	6.8
Home electronics	115,742	5.1	6.5
Yarn/sewing notions	78,775	0.4	4.4
All others	98,287	1.4	5.5
Total	$1,780,352		100.0

Source: 1989 *Drug Store News* survey of drug chains

IP 1

DRUG STORE NEWS®

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INSIDE PHARMACY
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ANNUAL REPORT OF RETAIL PHARMACY

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- **Rx overview**
- **Operations survey**
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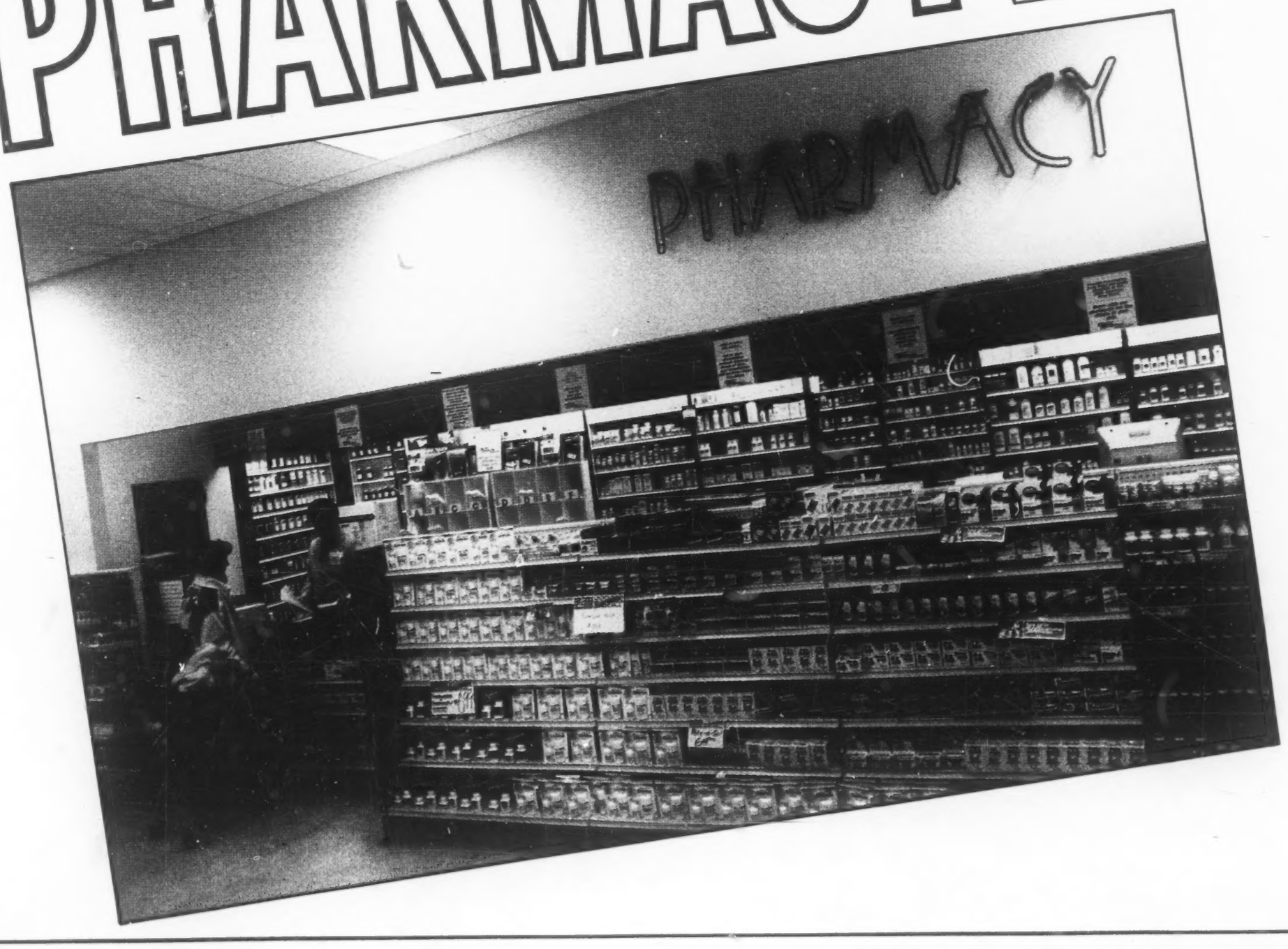

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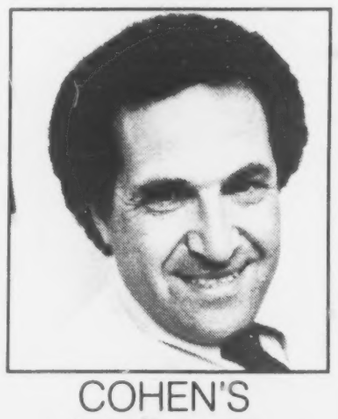
Vol. 4, No. 5 May 15, 1989

Pharmacy fights the good fight

People continually ask me if it is difficult to write a column twice a month. Fortunately, or unfortunately in some cases, the trials and tribulations of retail pharmacy usually provide me with plenty of material. But as happens to most writers, occasionally I get writer's block. I'll sit down at the computer and end up staring at the screen for several minutes until the proper imagery needed for a column comes to mind.

Experts will tell you to write down the first thing that comes to mind, just to break the block. And, as most writers, once I start to write the column, the thoughts come quickly and my hands usually cannot type them fast enough.



COHEN'S CAPSULES
HAROLD COHEN

When I started to write this column, I knew I wanted to keep it in step with our *Annual Report of Pharmacy* featured in this issue. I started thinking about how I saw retail pharmacy over the past year, and the only thoughts that came to me were from the movie "Rocky."

"Rocky?" you ask. "What could a movie about a beat-up-fighter-makes-good have to do with pharmacy?"

Well, to tell you the truth, the image I immediately conjured up for pharmacy took place when Sly Stallone was in the slaughterhouse punching out a side of beef hanging in the walk-in refrigerator. You remember the scene. Rocky was using a defenseless piece of meat to take out his aggressions.

In what may seem as my warped sense of reality to many, I see pharmacy in much the same position as that side of beef, a profession getting punched out by Rockys of our industry.

But unlike the movie *Rocky*, I think that pharmacy's ending will turn out a bit differently. The Rockys of our industry will lose the final fight. But, rest assured, there will be many return bouts before it will happen.

Like Rocky, third-party programs were in pretty good shape when they came into the ring this year. And why not? They've had retail pharmacy to train on for the past several years.

But to many third-party programs' surprise, retail pharmacy had already begun its own training program, and was finally coming into the ring with some muscles it never felt before. And the arena was packed with most people rooting for retail pharmacy.

But that didn't deter the third-party Rockys. They began fighting with everything they had, looking for the knockout. Just when it looked like retail pharmacy was going down for the 10 count, it started to get back on its feet and began to flex its muscles.

If pharmacy is going to win the main event, it cannot let up on its training. Third-party programs can be beat, but it will take some work. I think one of the best things to happen to retail pharmacy over the past year is the "freedom of choice" campaign being embraced by most independents and even some notable chains.

I first heard of the "freedom of choice" campaign when Andre Leib, senior vp at Dik Drug, a drug wholesaler based in Burr Ridge, Ill., called me. I thought it was a great idea. After all, I had been touting taking the message directly to the consumer for the past year.

Although initially created to combat mail order, as third-party exclusive contracts became more common, I thought that the freedom of choice campaign was just the ticket pharmacy needed to win its fight.

But pharmacy must never drop its guard. It is fighting a formidable opponent in third-party programs who are throwing some pretty tough punches. But like every bully, they also have a weak point. I believe that ultimately it will be the consumer who will help pharmacy win its fight against weakening third-party reimbursements.

Also, over the past year, we saw a new face in retail pharmacy's corner. Rite Aid, the largest chain in the country, publicly lambasted third-party programs that offered unrealistic reimbursement schedules. If nothing else, that alone gave retail pharmacy the strength to continue fighting third-party programs.

But pharmacy needs more people in its corner while it is still standing. It needs the pharmaceutical manufacturers to revamp their way of doing business. So-called "discriminatory pricing" or "multi-tier pricing" of pharmaceuticals must be abolished.

Nobody minds a good fight as long as the fighting is done on the same level. Selling drugs at a cheaper price to one group over another is like putting a heavyweight in the ring with a lightweight. The only result can be a slaughter.

Pharmacy can be a winner. It must train hard and never give up. It would be a shame if retail pharmacy were to lose the fight for what is fair and honest for the citizens of this country.

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This is it, the issue you've been waiting for—our Annual Report of Retail Pharmacy. Combined with our popular ***Pharmacy Operations Survey***, in it you will find out details on what's been going on in your industry. It is crammed with a plethora of information that ranges from the average prescription price at chain and independent drug stores, to reviews of the hottest OTC and Rx categories. . . . . **p. IP15**

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Photo taken at Genovese's Great American discount store, Carle Place, Long Island.

DRUG STORE NEWS
INSIDE PHARMACY
PHARMACIST EDITION

Groups crack down on anabolic steroid use

HEALTH TALK
BARBARA WHITE

State pharmaceutical associations in both Kansas and Georgia have recently sponsored legislation which would impose stiffer penalties on parties who misuse or illegally dispense anabolic steroids. Other states have previously instituted similar legislation. On a national level, the FDA has cracked down on anabolic steroid use as well.

Anabolic steroids, a chemical derivative of testosterone, the male sex hormone, were developed in the 1930s to help build tissue and prevent the breakdown of tissue which occurs in debilitating disease. Steroids do have some valid medical uses in treating certain diseases, such as the treatment of anemia, severe burns and some breast cancers.

Yet misuse of the prescription products has become a problem with athletes and body builders who wish to improve their sports performances.

During Congressional testimony for stronger FDA provisions concerning steroid regulation, Mike Lynn, general manager of the Minnesota Vikings, reported that 6 percent of the National Football League's players tested for steroid use in 1987 tested positive.

The FDA estimates the black market for steroids is close to $100 million a year. The Justice Department estimates that one-third of the steroids sold in the United States are illegal imports, while another third are illegally produced in this country.

Although a survey conducted of high school athletes indicated that a small percent actually used steroids, many were ignorant of the harm steroid use could cause.

Even used under a doctor's supervision, steroid use has been linked to liver cancer, testicular atrophy, heart disease, stroke, sterility, birth defects and prostate cancer.

When used without the supervision of a physician, the risk for serious harm increases. Physicians have reported that misuse and overdosage of steroids has been responsible for aggressive and even psychotic behavior. The use of black market products which are injectable carry a danger of infection.

The FDA along with the FBI, the Justice Department and the Customs Service have made significant strides in curtailing the sale of steroids. But as long as ignorance of the dangers about steroid use remain, there will be a market for these products.

A campaign warning against the dangers of steroid use has been targeted to high schools across the country. The FDA has sent brochures and posters. As more state pharmacy associations work to get the word out and the laws stiffer, misuse of these potentially dangerous products could be curtailed.

NCPIE to address medicine misuse by kids

WASHINGTON — The National Council on Patient Information (NCPIE) is refocusing its prescription drug public awareness campaign to spotlight the misuse of medicine among children.

NCPIE, an umbrella group composed of pharmacy associations, public health organizations and other parties concerned about drug education, has so far targeted the bulk of its efforts at improving drug compliance among elderly people.

The shift in emphasis to the problems of young persons became apparent as NCPIE announced its upcoming Seventh Annual Conference on Prescription Medicine Information and Education. The meeting is scheduled for May 8-9 at Washington's Capital Hilton Hotel.

The emphasis on children and their use of Rx drugs reflects the theme of the 1990 conference, "New Frontiers in Patient Education." The agenda will be highlighted by the release of "a major report" on misuse of medicine among children and teenagers, according to NCPIE. Special sessions and workshops on medication information for children and on misuse of medicine by teenagers and children are also planned.

Seniors aren't forgotten

At the same time, meeting planners have not forgotten the older citizen, a key target of NCPIE's patient education initiatives in the past. One workshop will focus on two model education programs which are "Reaching Older Populations Where They Live." Other special sessions will address communicating the risk involved in using Rx medicines, how to promote effective patient medication counseling, how to counsel patients with low literacy skills about their medicines, and other pharmacist counseling concerns.

Food and Drug Administration commissioner Frank Young is scheduled to deliver the key address at the meeting. According to NCPIE, Young will discuss "current FDA issues, actions and perspectives concerning prescription medicine information and education."

In addition, "a poster presentation session will be an important part of the conference," NCPIE officials said. Conference planners are asking interested groups to submit poster "abstracts" for the session.

Steady demand predicted for Rx, OTC drugs

By Deane Evans

WASHINGTON — U.S. Commerce Department economists forecast a bright future for pharmaceutical manufacturers and retailers, predicting that the needs of an aging American population will steadily increase demand for both prescription and over-the-counter medications in 1989 and future years.

In a recent government study, researchers found that persons over 65 make up 12 percent of the U.S. population, but use about 30 percent of all prescription drugs. Moreover, new Medicaid provisions for prescription coverage are expected to fuel continuing annual increases of about 10 percent.

"Development of drug products, delivery systems and dosage packaging aimed at this older generation offers opportunities for expanding sales of both prescription and proprietary drugs," Commerce Department economists said.

According to their research, the average senior citizen uses 10 prescription drugs per year. "Twenty years ago, the average older person spent $42 a year on drugs," they said. Today, that number is roughly seven times higher—about $300 a year.

In addition, over-65 Americans who buy the most medications will make up a larger portion of the U.S. population in coming years, they reported. For example, forecasters expect that by the year 2000, the over-65 segment will command a 20 percent share of the population, and will account for half of all U.S. health care expenditures.

Growth rate

"Health care, now at 6 percent to 8 percent of the Gross National Product, will grow at a rate of 6 percent a year through 1993 because of the health care needed by senior citizens, whose numbers are growing. . . " they said. A recent survey found that about six cents of every dollar currently spent on health care in the United States is spent for pharmaceutical products.

According to the Commerce Department report, U.S. pharmacists filled 1.51 billion prescriptions in 1987. The value of shipments of pharmaceutical preparations for 1987 reached $31.2 billion, an increase of 10.8 percent from the previous year. New prescriptions were up 1 percent, while refills dropped 1 percent.

Estimates for 1988 showed a similar rise of 10.7 percent in total sales to a record pharmaceutical shipment value of $34.6 billion. After adjustment for inflation, the increase for 1988 represents a 3.1 percent rise in shipment value. A 3.2 percent increase after inflation is predicted for this year.

Shipments, sales up

The report revealed that recent growth in pharmaceutical shipments compares favorably with healthy sales increases posted since 1972. For example, for the 1972-1986 period, pharmaceutical shipments value increased at a compound annual rate of 10.3 percent. The average annual increase over the shorter term, 1981-1986, was 10 percent.

For the future, economists expect the increasing availability of generics to significantly impact the predicted scenario for pharmaceuticals. Researchers found that generic sales, now estimated at more than $5 billion, make up about 25 percent of total "pharmaceutical preparations" shipments.

"Between 1968 and 1988, the number of generics on the market has increased threefold," they said. "Companies that market generic drugs now control about 12 percent of the prescription market and are likely to control 30 percent . . . by 1993." One firm reported that about 200 different drugs have patents which will expire by 1993.

"It is estimated that because of patent expirations, approximately $5 billion worth of patented pharmaceuticals will become available for generic dispensing during this period," economists said. "This could expand the generic market $6.5 billion by 1993."

At the same time, they said that profit margins" on generics may slip as competition intensifies and the costs of quality assurance increases.

Trends and forecasts: Drugs

(in millions of dollars)

Item	1985	1986	1987*	1988**	% Change 87-88
Value of all drug shipments:	31,332	34,418	37,794	41,268	9.2
Biological products	2,713	3,086	3,342	3,388	1.4
Medicinals/botanic.	3,283	3,153	3,235	3,316	2.5
Pharm. preps.	25,335	28,179	31,217	34,564	10.7

* Estimated except for exports and imports

** Estimated

Source: U.S. Department of Commerce: Bureau of Census, Bureau of Economic Analysis, International Trade Administration

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Annual Report — *Rx Overview*

Retail Rx sales remain strong, but 3rd-party programs cut into profits

Retailers mount a counterattack against exclusive prescription programs

NEW YORK — Third-party prescription programs continue to cyclone their way into the core of retail pharmacy, leaving a higher percentage of prescription sales but lower dollar profits in their wake.

According to the *Drug Store News/Inside Pharmacy* 1989 Pharmacy Operations Survey, while prescription dollar sales rose at both chain and independent drug stores, they rose twice as much at the chains than independents. The independents were able to hold onto a gain, albeit minuscule, in prescription profits, while prescription profits at the chains dropped marginally.

The survey revealed that 1988 prescription sales of the chain stores surveyed rose by 13.5 percent over 1987 sales figures, compared to a 7 percent gain for the independents over the same period. But percent margins at the chains lost ground. The chains surveyed said their margins dropped from 31.9 percent in 1987 to 31.1 percent in 1988. The independents surveyed, on the other hand, reported a slight increase in percent prescription margins, with an increase from 31.1 percent in 1987 to 31.3 percent in 1988.

Although the data could not specifically link third-party program activity to the rise in sales and loss or marginal gain in profits, the survey showed that the percent of prescription department sales attributed to third-party prescriptions rose nearly 6 percent at the chains and by slightly over 5 percent for the independents.

The rise in third-party prescriptions should come as no surprise to retail pharmacists, who have been struggling with diminishing reimbursement schedules over the past several years, culminating with a public announcement by Rite Aid that the Pennsylvania-based chain would not take fill any third-party prescriptions that did not return a fair reimbursement.

Earlier this year Rite Aid surprised everyone in the industry by making public proprietary sales figures in its crusade for better reimbursements.

At about the same time, independents nationwide, and more recently some chains as well, launched a "Freedom of Choice" campaign. Aimed directly at the consumer, the campaign, which is still ongoing, urges consumers not to stand by idly while some third-party vendors dictate where they can or cannot get their prescriptions filled. *(See related coverage, IP22.)*

The campaign arose when some third-party payers began making exclusive deals with chains and groups of independents based primarily on who can offer the third-party program the lowest reimbursement payout on prescription drugs.

In some areas of the country, these contracts virtually locked out chains and independents who could not meet

Continued on page IP 19

Rx'ers working harder than ever

NEW YORK — Ask independent pharmacists how hard they are working and they'll reply "harder than ever before." According to the *Drug Store News/Inside Pharmacy* 1989 Pharmacy Operations Survey, they just may be telling the truth.

The survey showed that the pharmacists who answered the survey at both, chain and independent drug stores, are filling more prescriptions than a year ago. In 1987, a typical chain pharmacist filled, on average, 121 prescriptions a day compared to 134 in 1988, an increase of nearly 11 percent. An average independent pharmacist who answered the survey filled 102 prescriptions a day in 1987 compared to 107 in 1988, an increase of 5.1 percent.

But the real story here is the

See **Hard workers,** *page IP17*

Financial profile of typical prescription department

Annual prescription sales of an average prescription dept.

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	$644,740	$690,189	7.0%	$752,575	$854,406	13.5%
Median	$635,277	$600,000	−5.6	$674,000	$815,000	20.9

Percentage of store sales accounted for by the Rx dept.

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	70.9%	72.5%	1.6%	33.4%	34.3%	0.9%
Median	70.0	72.5	2.5	31.5	33.4	1.9

Percentage margin maintained by average Rx dept.

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	31.1%	31.3%	0.2%	31.9%	31.1%	−0.8%
Median	30.0	30.0	0.0	40.0	31.2	−8.8

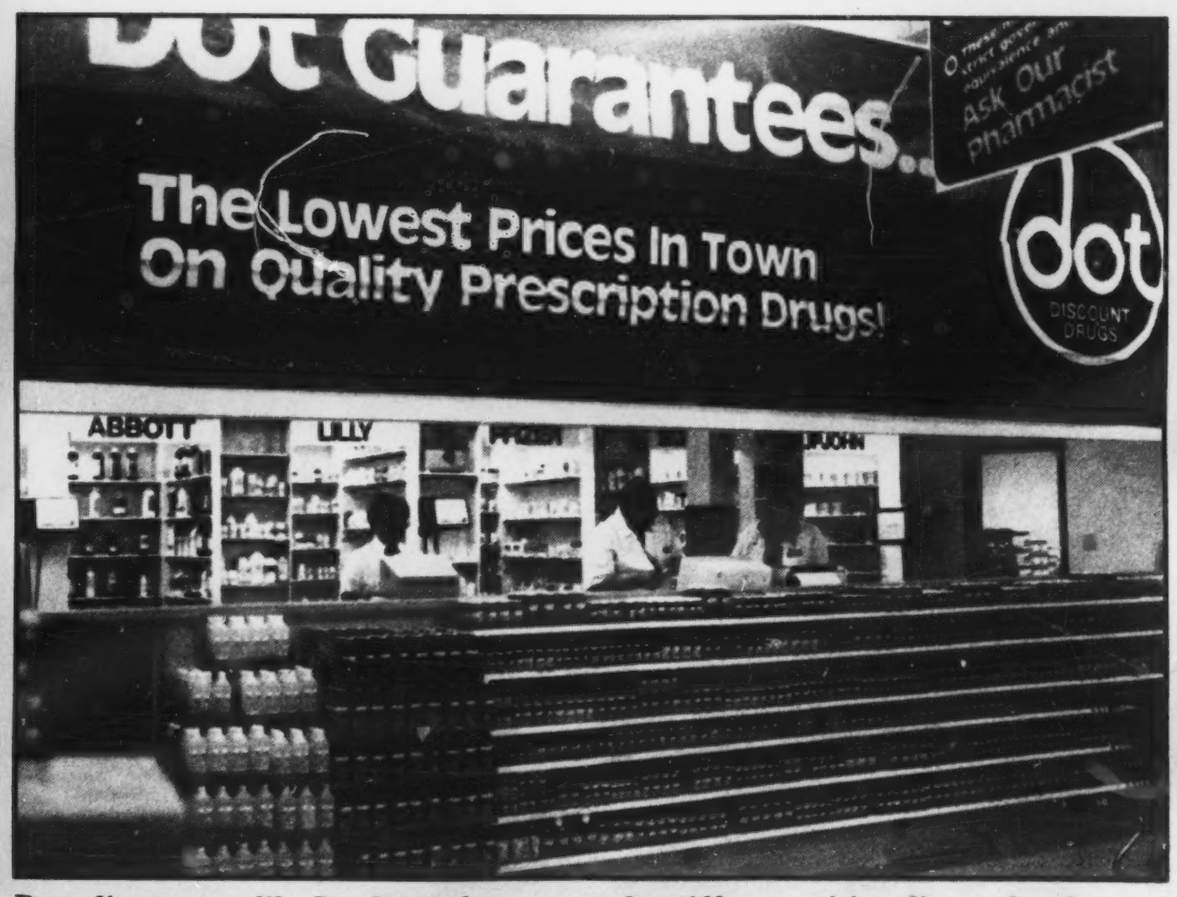
Dollar inventory at cost required for an average Rx dept.

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	$72,874	$83,007	13.9%	$69,390	$78,160	12.6%
Median	$60,000	$70,000	16.7	$61,000	$69,000	13.1

Number of turns on Rx inventory on an annual basis

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	7.5	7.7	2.3%	8.0	8.3	3.1%
Median	8.0	8.0	0.0	7.2	7.2	−0.4

Source: *Drug Store News/Inside Pharmacy* 1989 Pharmacy Operations Survey



Deep discounters like Dot Drugs have created a stiff competitive climate for pharmacy operators in markets already saturated with traditional chain drug stores.

Although prescription sales were up at chain drug stores in 1988, prescription department profits dropped marginally due, in part, to increased third-party activity.

DRUG STORE NEWS® INSIDE PHARMACY PHARMACIST EDITION

Hard workers fill more prescriptions: survey

Continued from page IP15

number of hours being worked by those pharmacists. The survey uncovered that, although an average independent pharmacist works shorter hours than a average chain pharmacist, the number of hours worked in a day over the previous year have increased while an average chain pharmacist's hours have decreased over the past year.

According to the survey, chain pharmacists who responded to the survey work an average of 9.3 hours, down 3.1 percent from the year before when an average chain pharmacist's workday consisted of 9.6 hours. An average independent pharmacist worked 8.8 hours a day in 1988 compared to 8.6 hours in 1987 for an increase of 2.3 percent. There was no change in the number of days per week worked by either the chain or independent pharmacist.

There was, however, a dramatic increase in the number of pharmacy technicians being used at both chains and independents. The survey showed a 21.4 percent increase in the number of pharmacy technicians working at chains compared to a 13.3 percent increase in technicians working at a typical independent.

Prescription department summary

All drug stores

	1987	1988	% change
Consumer Sales ($ millions)	$23,454	$25,213	+ 7.5
Scripts (millions)	1,574	1,587	+ 0.8
Average Rx price	$ 14.90	$ 15.88	+ 6.6
Scripts/store/year	29,168	29,296	+ 0.4
Stores	53,963	54,172	+ 0.4

Chain drug stores

Consumer sales ($ millions)	$ 9,428	$10,717	+13.7
Scripts (millions)	705	755	+ 7.0
Average Rx price	$ 13.37	$ 14.19	+ 6.1
Scripts/store/year	36,830	38,018	+ 3.2
Stores	19,142	19,859	+ 3.7

Source: *Drug Store News* survey

The survey showed a 21.4-percent increase in the number of pharmacy technicians working at chains, compared to a 13.3-percent increase in technicians working at a typical independent.

Inventory Profile of typical prescription department

Percent of drug inventory: branded vs. generic

		Chains			Independents		
		1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	Branded	80.3%	76.4%	−3.9%	73.0%	66.7%	−6.2%
	Generic	19.7	23.6	3.9	27.1	33.2	6.1
Median	Branded	81.0	77.0	−4.0	75.0	66.5	−8.5
	Generic	22.5	23.0	0.5	25.0	33.5	8.5

How drug chain inventory is purchased: corporate vs. store

		1987	1988	% pt. diff.
Average	Corporate	38.4%	38.9%	0.5%
	Store	61.6	61.1	−0.5
Median	Corporate	15.0	15.0	0.0
	Store	85.0	85.0	0.0

How drug chain Rx inventory is delivered

	1987	1988
1. From manufacturer directly to store	7.0%	7.0%
2. From manufacturer to company warehouse	31.0	31.0
3. From wholesaler directly to store	47.0	47.0
4. From wholesaler to company warehouse	15.0	15.0
5. Through a diverter	0.0	0.0

Source: *Drug Store News/Inside Pharmacy* 1989 Pharmacy Operations Survey

Prescription profile of typical prescription department

Number of prescriptions filled per day by average pharmacist

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	121.0	133.7	10.5%	101.6	106.8	5.1%
Median	95.0	100.0	5.3	100.0	112.5	12.5

Ratio of new to refilled prescriptions

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average *New*	55.9%	56.4%	0.5%	50.2%	51.2%	1.0%
Median	54.6	56.2	1.6	50.0	55.0	5.0
Average *Refills*	44.1%	43.6%	−0.5%	49.8%	48.8%	−1.0%
Median	45.4	43.8	−1.6	50.0	45.0	−5.0

Percentage of prescription dept. sales accounted for by third party

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	27.4%	33.3%	5.9%	35.0%	40.3%	5.3%
Median	31.0	36.5	5.5	26.5	29.0	2.5

Percentage of stores with pharmacy computer systems

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	93.4%	97.9%	4.5%	90.9%	100.0%	9.1%
Median	100.0	100.0	0.0	100.0	100.0	0.0

Percentage of stores using "black boxes"

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	6.3%	6.9%	0.6%	14.3%	45.2%	30.9%
Median	6.3%	6.9%	0.6%	14.3%	45.2%	30.9%

Percentage of third-party prescriptions filled on paper claims

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	32.9%	24.6%	−8.3	61.6%	48.4%	−13.2%
Median	20.0	15.0	−5.0	82.5	45.0	−37.5

Percentage of third-party prescriptions filled electronically/ tape to tape

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	67.1%	75.4	8.3	38.4	51.6	13.2%
Median	80.0	85.0	5.0	17.5	55.0	37.5

Source: *Drug Store News/Inside Pharmacy* 1989 Pharmacy Operations Survey

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'Take-charge' consumers boost OTC profits

With annual sales of over-the-counter drugs nearing the $20 billion level, Americans' tendency toward self-medication shows no sign of waning

Consumers are developing a "take-charge" attitude concerning their health, according to industry experts, and the trend is translating into profits for retailers on OTC sales.

A California research firm estimates that annual sales of OTC drugs will reach between $18 and $23 billion by 1995. New product development, more Rx-to-OTC switches and greater consumer interest in health and preventative medicine are factors which will contribute to the growth.

Consumers are self-medicating to a great degree, according to the Proprietary Association. The association estimates that six out of every 10 medications found in consumers' medicine chests are OTC products. One survey estimates that American consumers treat four times as many common health problems with non-prescription medicines as prescription drugs.

"Consumers have moved away from expecting a cure-all from their doctors," said Jack Walden, a spokesperson for the Proprietary Association. "There is a return to doing more for ourselves."

Consumers are increasingly turning to self medication for those minor health problems they once might have taken to a physician to treat, says Walden. "The average OTC [remedy] still costs about $2.50, and you can still cure a headache for less than a dime. When compared against the increased cost of doctor visits and prescription drugs, consumers are turning to OTCs to treat minor health problems," he said.

Walden said that the great number of OTC drugs which once held prescription status increase consumer confidence in the products. "There are 200 brand name drugs now available over the counter which were once only available by prescription," said Walden. "More and more of today's OTC drugs are yesterday's prescription drugs. It gives consumers more confidence that they are dealing with potent, effective medications."

The power of media

A watchful and interested consumer is also affected by news of health developments. Journal studies which filter to the consumer press generate public interest in a number of categories.

For example, news reports that oat bran was effective in lowering cholesterol levels generated sales of the dietary supplement in many drug stores.

Similarly, the medical jury may still be out on whether aspirin is useful in stabilizing the condition of heart patients, but manufacturers have learned that the studies have a definite impact on sales.

The same case may be made for fish oils. Although retailers claim they are not selling as well as when medical journal reports initially claimed they prevented heart attacks, they have become a regularly stocked item in most drug stores.

But a media event doesn't always turn into a retail bonanza. Consumers watched with interest as popular television personality Oprah Winfrey lost a considerable amount of weight virtually in front of television viewers' eyes. Retailer expected sales of diet aid products to surge following the debut of the new slimmed-down Oprah. Instead, retailers reported no such stampede to diet aid sections.

Consumer interest has sparked government recognition of the importance of self medication, according to Walden. That trend is evidenced by the joint symposium which the FDA sponsored with the Proprietary Association last year addressing the issue of self medication.

1988 OTC/proprietaries department highlights at chain drug stores

Chain drug OTC/proprietaries sales	$5,361,565,000
1988 percentage increase	9.8%
Percentage of total chain drug sales	14.9%
Typical gross margins	30%-35%
Industry profit yield from OTC/proprietaries last year	$1,610,000,000-$1,880,000,000
Average annual department turns	5.0

Source: *Drug Store News* survey

1988 OTC/proprietaries department productivity in chain drug stores

Category	1988 total sales (add 000)	1988 % increase	% of category sales
Cough/cold	$ 882,445	10.8	16.5
(tabs/caps/1 oz.)	535,542	11.0	10.0
(liquids)	346,903	10.3	6.5
Analgesics	636,464	12.5	11.9
Dental care	541,992	10.8	10.1
Vitamins/nutritionals	518,159	7.2	9.7
Baby needs	424,121	10.3	7.9
Laxatives	304,038	8.0	5.7
Antacids	287,689	9.4	5.4
First aid products	281,201	6.8	5.2
Eye care/lens care	275,481	12.0	5.1
Feminine hygiene	267,372	11.0	5.0
Family planning	266,523	15.8	5.0
Footcare products	191,833	7.3	3.6
Diet aids	123,703	6.8	2.3
Antidiarrheal/anti-nausea	81,762	5.7	1.5
Home health care	79,020	5.6	1.5
Acne preparations	78,345	6.3	1.5
Sleeping aids	32,614	3.0	0.6
Wets & dries	30,682	3.7	0.6
Asthma inhalers/tabs/liquids	15,598	3.2	0.3
Miscellaneous	42,498	7.2	0.8
Total	$5,361,541		100.0

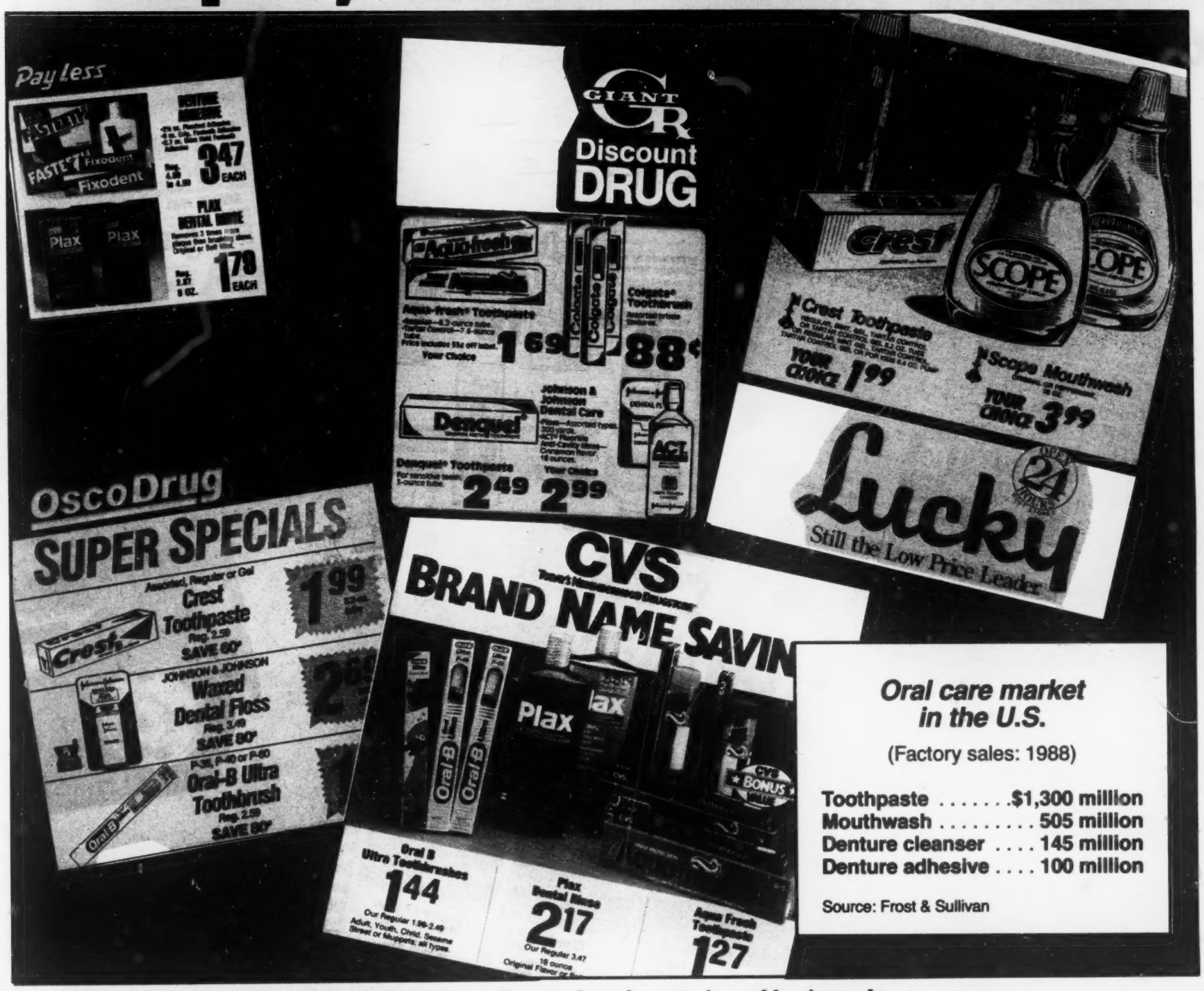
Source: *Drug Store News* 1989 survey of drug chains

One survey estimates that American consumers treat four times as many common health problems with nonprescription medicines as prescription drugs.

DRUG STORE NEWS® INSIDE PHARMACY PHARMACIST EDITION

Annual Report *Oral Hygiene, Diagnostics*

Plaque-, tartar-busters boost oral care



Name brands and effective tartar-and-plaque controls were key elements in oral hygiene ads.

Analysts say more consumers are brushing their teeth using anti-plaque and anti-tartar products, driving the oral care market. This trend is occurring despite FDA queries on the products' effectiveness.

In 1984, when the first major toothpaste claiming effectiveness in fighting plaque and tartar was introduced, anti-plaque/anti-tartar products had a 4 percent share of the dental care market. By 1988, the products had gained a 35 percent share of the category.

Despite FDA objections to some manufacturers' claims that their oral rinses fight gingivitis and plaque, sales of these products have grown as well. The FDA maintains there is no hard evidence that toothpaste can curb gingivitis or that oral rinses can fight plaque and gingivitis.

Still, consumers don't seem as skeptical as the FDA. Forecasts by Frost & Sullivan, a market research firm, estimate that anti-plaque/anti-tartar toothpastes will reach a market share of 40 percent by 1993, and oral rinses that boast those benefits will capture a 42 percent market share.

The shift in product introductions from those which fight cavities to products which fight tartar and plaque reflects a trend toward tailoring products to an aging population, according to the Frost & Sullivan report.

The report also indicated that products introduced to the children's market have been "fun" products, rather than traditional therapeutic products. Pump products have also given a lift to the category. Pumps, said the report, account for 25 percent of total unit sales, even though they are more pricey than standard tubes of toothpaste.

Diagnostic testing kits continue to gain consumer acceptance, particularly as they incorporate newer technology and become simpler to use.

Technology boosts popularity and profits of home diagnostics

Technological advances in diagnostic testing kits for in-home use have made the kits more popular with consumers and the category more profitable for retailers.

Retailers report that despite the high price tag of blood glucose monitors, the machines are growing in popularity with diabetic patients who wish to have greater control and knowledge of their conditions. Patients, they say, are moving away from monitoring their urine with the strip tests in favor of the more exact measurement of the glucose by blood.

Using blood glucose monitors, diabetics can read their blood sugar levels as many times a day as they wish and adjust their sugar intakes and food levels based on the findings.

Sales of the monitors reached $114 million in 1988, according to Pipeline Reearch. Part of the popularity in the category was due to manufacturers' rebates offered by some companies which made the cost affordable to more diabetic customers than ever before.

Retailers have found that diabetic customers are loyal, so offering the monitors at reasonable prices pays off in repeat business.

Sales of pregnancy kits got a boost from some new introductions to the market which are simpler and easier to use than tests previously available to customers.

A.C Nielsen reported a 27-percent sales growth in pregnancy and ovulation kits during the past year. Increased consumer interest in monitoring their bodies have contributed to the success of the category, according to some retailers.

In this area too, manufacturers' rebates have driven the category. Some manufacturers have offered mail-in rebates or peel-off coupons, dropping the price of the kits.

Chains are frequently placing the kits near the pharmacy checkstand, according to a *Drug Store News/Inside Pharmacy* pharmacy checkstand study. The study showed that 62 percent of the chains surveyed placed at-home diagnostics at the pharmacy checkstand.

Most pharmacists agreed that customers usually have questions concerning the diabetic testing kit category as well as the pregnancy and ovulation kit category.

Concern over correct consumer use of pregnancy and ovulation kits was heightened when a *New England Journal of Medicine* article reported that women using the products have a one-in-10 chance of getting an incorrect reading due to improper use of the kit.

Kit manufacturers attuned to the patients' concerns are recognizing the pharmacist's role in recommending these products. Some manufacturers are offering training in the use of their products to pharmacists.

FINANCIAL

Gloves, litigation hit Moore's income for 4th quarter and year

NEW BRITAIN, Conn. — Moore Medical Corp. cited unusual items as the cause for losses in the fourth quarter and year ended Dec. 31.

In fourth-quarter 1988, the company had charges to income of $12.4 million, resulting in a net loss of $8.03 million, or $2.85 per share, for the quarter, and a net loss of $6.1 million, or $2.17 per share, for the year.

The $12.4 million in non-recurring unusual charges were taken for costs and reserves associated with the previously reported latex examination-glove inventory and purchase commitments at prices and quantities above current market conditions, as well as previously reported litigation in connection with purchases made from 1980 to 1982.

Fourth-quarter sales were $56.7 million, compared with $58.5 million for the like period a year ago. Sales for the year were $229.1 million, versus $232.2 million last year.

Mark E. Karp, president and chief operations officer, said the decrease in 1988 sales was primarily attributable to previously reported mainframe computer failures that occurred in the first half of the year. "With upgraded hardware, new systems and additional staff in place," he said, "I have high confidence in our computer system's capabilities."

Added Jerald K. Rome, chairman and ceo, "Affirmative steps have been taken to prevent recurrence of the types of problems we experienced in 1988. With these unfortunate occurrences behind us, we look forward to returning to much-improved levels of growth and profitability."

Bindley's debt restored to a single "B" by S&P

INDIANAPOLIS — Standard & Poor's removed Bindley Western Industries from "Credit Watch" status and restored its 8⅝ percent convertible subordinated debt to a single "B" rating, said Thomas J. Salentine, Bindley Western executive vp and cfo.

Salentine cited a statement Standard & Poor issued indicating that the bankruptcy of Revco, a major Bindley Western customer, "should have less serious business and financial implications for the company than previously thought," and said Bindley Western's management was pleased with the rating agency's decision.

Albertson's sales and earnings climb for 19th consecutive year

BOISE, Idaho — Albertson's posted its 19th consecutive year of increased sales and earnings.

For the 14-week fourth quarter ended Feb. 2, sales were $1.89 billion, a 24.2-percent gain over the $1.52 billion reported for last year's 13-week fourth quarter. Compared on a 13-week basis, sales increased 15.1 percent.

Net earnings for the quarter rose 28.7 percent, to $51.5 million, or 78 cents per share; from $40.3 million, or 61 cents per share, in the comparable year-earlier period.

Same-store sales, on a comparable 14-week basis, increased 7.5 percent.

Year-end (53-week period) sales increased 15.4 percent, to $6.77 billion, versus $5.87 billion in the 52-week period a year ago. Net earnings were $162.5 million, or $2.44 a share, a 29.5-percent gain over the $125.4 million, or $1.86 per share, reported last year.

For the year, gross margin was 22.3 percent, compared with 22.4 percent in 1987. Operating and administrative expenses as a percentage of sales decreased to 18.5 percent from 18.7 percent.

"We are particularly pleased with the same-store sales increases achieved during the year," said Warren E. McCain, Albertson's chairman and ceo. "Our efforts to reduce operating and administrative expenses have been successful."

Drug Emporium's net up 73 percent; sales, 26 percent, for '88 fiscal year

COLUMBUS, Ohio — Drug Emporium posted a 73-percent increase in net income on a 26-percent gain in sales for the fiscal year ended Feb. 28.

Gary Wilber, president of the deep-discount chain, said sales rose 12 percent at stores open throughout both 1987 and 1988. He added that the 174-store chain is looking forward to a banner new fiscal year, with sales expected to top $1 billion and stores, including the franchise network, to pass the 200-unit milestone.

Net income for the year was $8.0 million, up from $4.5 million. Earnings per share were $1.32, compared with 91 cents last year. Net earnings benefitted about 12 cents per share from the sale of the company's minority interest in one of its franchisees. Year-end sales increased to $406.7 million from $322.2 million.

For the fourth quarter, net income reached $3.1 million, or 47 cents per share, versus $1.8 million, or 36 cents per share, for the comparable period a year ago. Net sales for the quarter were $112.7 million, compared with $96.5 million for the year-earlier period.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 04/14/89 - 05/01/89								Latest 12 Months vs Preceding 12 Months				
					Change		52-Week		Last Fiscal Year			Latest P/E Ratio	Indicated Dvd. Rate	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low		Amt.	Pct.		Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	62.13	60.00	61.88	1.88	3.13	65.00	47.63	2.54	-1.65 f	-39.4	24.4	1.00	1.6
Arbor Drugs	ARBR	21.25	20.25	20.75	-.25	-1.19	21.25	11.00	1.05	.32 s	35.2	16.9	.20	1.0
Big B	BIGB	11.13	10.75	11.13	.38	3.49	15.88	10.75	.91	-.03 f	-3.2	12.2	.16	1.4
Fay's Drug	FAY	11.38	10.00	11.13	.88	8.54	12.00	7.84	.73	.32 f	78.0	15.2	.20	1.8
Genovese Drug	GDX	11.88	11.00	11.63	.50	4.49	12.03	8.75	.83	.20 f	31.7	14.0	.22	1.9
Longs Drg Strs	LDG	37.00	35.25	36.13	1.13	3.21	38.50	33.63	2.75	.42 f	18.0	13.1	.88	2.4
Medicare Glaser	MGCO	5.75	5.75	5.75	.00	.00	5.88	1.88	-.10	-.23 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	28.50	26.25	28.00	2.00	7.69	28.50	20.75	1.11	.30 q	34.1	23.7	.10	.4
Perry Drug	PDS	12.50	9.50	11.25	1.00	9.76	13.50	5.25	-3.14	.18 q	NE	NE	.00	.0
Rite Aid Corp	RAD	36.75	33.00	34.63	-.25	-.72	39.00	29.13	2.30	-1.11 f	-32.6	15.1	.82	2.4
Walgreen Co	WAG	40.13	37.25	39.88	1.88	4.93	40.13	27.13	2.10	.43 s	22.4	17.0	.68	1.7
Wholesaler's transactions														
Alco Hlth	AAHS	25.50	23.63	24.25	-1.25	-4.90	30.25	18.75	1.55	-.11 q	-7.4	17.6	.06	.2
Bergen Bruns	BBCA	29.50	28.00	28.00	-1.00	-3.45	30.25	18.72	1.78	.89 s	67.9	12.7	.32	1.1
Bindley Wstn	BIND	8.13	7.75	8.13	.38	4.84	10.00	6.63	.58	.22 q	68.8	15.0	.00	.0
Cardinal Distrb	CDIC	22.25	19.50	22.00	2.25	11.39	22.25	12.28	1.21	.48 n	45.7	14.4	.08	.4
Durr Fillauer	DUFM	20.00	18.63	19.75	.88	4.64	20.00	11.88	.92	.09 q	9.7	19.4	.24	1.2
Ketchum	KCH	6.13	5.75	5.88	-.13	-2.08	12.00	4.75	-4.73	-1.44 q	NE	NE	.00	.0
McKesson Cp	MCK	33.00	31.75	32.88	.50	1.54	35.88	29.63	2.30	.07 f	3.1	14.3	1.44	4.4
Moore Med	MMD	13.38	11.75	11.88	-.25	-2.06	15.75	9.00	-2.19	-3.65 f	-100.0	NE	.00	.0
Owens Minor	OMI	14.00	11.75	12.00	-1.75	-12.73	15.88	11.19	1.00	-.07 q	-7.4	13.6	.26	2.2
Manufacturer's transactions														
Abbott Labs	ABT	55.63	53.63	55.00	-.50	-.90	55.75	42.88	3.33	.53 q	18.2	15.9	1.40	2.5
Am Home Prod	AHP	92.00	87.63	91.50	4.00	4.57	92.00	70.38	6.38	.66 q	11.2	13.9	3.90	4.3
Baxter Intl	BAX	19.88	18.63	19.63	.63	3.29	22.50	16.25	1.31	.15 q	12.6	14.6	.56	2.9
Block Drugs Co	BLOCA	34.00	33.00	33.63	1.63	5.08	35.50	25.75	2.29	.31 n	14.2	13.5	.64	1.9
Bolar Pharm	BLR	27.50	25.75	27.00	.75	2.86	27.88	16.38	1.51	.60 f	65.9	17.9	.04	.1
Bristol-Myers	BMY	48.88	47.00	48.88	.50	1.03	48.88	38.13	2.88	.38 q	14.7	16.5	2.00	4.1
Carter-Wallace	CAR	42.75	40.50	42.25	1.13	2.74	43.00	31.88	2.50	.44 n	18.0	14.6	.68	1.6
Forest Labs	FRX	30.88	28.63	29.88	-.13	-.42	31.75	16.25	.96	.23 n	25.3	26.2	.00	.0
ICN Pharm	ICN	6.63	5.63	6.50	.13	1.96	7.75	5.63	.23	1.82 q	NE	50.0	.00	.0
Lee Pharm	LPH	4.75	4.00	4.63	.50	12.12	7.13	3.75	-.23	.42 q	NE	NE	.00	.0
Leiner P Nutri	PLI	18.00	17.38	17.75	.25	1.43	18.00	9.13	.86	.10 n	10.9	17.4	.00	.0
Lilly Eli Co	LLY	54.88	51.94	54.25	1.63	3.09	54.88	35.94	2.67	.46 f	20.8	20.3	1.35	2.5
Marion Labs	MKC	27.00	24.38	25.13	-.75	-2.90	27.00	15.25	.96	.39 n	44.3	19.8	.36	1.4
Merck & Co	MRK	68.88	66.25	67.38	.13	.19	68.88	48.78	3.05	.80 q	33.1	20.9	1.64	2.4
Morton Thiokol	MTI	47.75	45.00	45.50	-1.25	-2.67	50.00	35.63	3.33	-.82 n	-24.8	18.3	.92	2.0
Mylan Labs	MYL	9.00	8.25	8.38	-.13	-1.47	13.25	7.50	.70	-.06 n	-9.0	13.7	.10	1.2
Newport Pharm	NWPH	5.56	4.69	5.13	.69	15.49	6.56	1.75	-.45	-.42 q	NC	NE	.00	.0
Par Pharm	PRX	9.13	7.88	8.25	-.50	-5.71	18.50	7.88	.99	-.12 q	-11.3	8.8	.04	.5
Pfizer Inc	PFE	62.25	59.63	61.50	1.75	2.93	62.25	48.25	4.70	.56 q	13.1	12.8	2.20	3.6
Robins, AH	QRAH	28.00	26.38	27.25	.50	1.87	28.38	21.88	2.42	69.95 f	NE	11.3	.00	.0
Rorer Group	ROR	43.50	40.13	40.13	-.50	-1.23	48.25	27.75	1.96	-.55 q	-21.6	20.1	.80	2.0
Scherer RP Cp	SCHC	33.38	30.13	33.38	2.88	9.43	33.38	15.63	1.04	-.48 n	-48.5	65.4	.40	1.2
Scher Plough	SGP	68.63	65.25	66.88	1.25	1.90	68.63	45.25	3.48	.77 q	26.4	18.1	1.80	2.7
Squibb Corp	SQB	77.50	73.25	76.38	2.00	2.69	77.50	55.50	4.30	.85 q	23.3	17.0	2.00	2.6
Syntex Corp	SYN	48.00	43.13	46.63	3.13	7.18	48.00	32.13	2.51	.42 s	18.2	17.1	1.50	3.2
Upjohn Co	UPJ	30.00	28.88	29.38	-.38	-1.26	34.50	26.88	1.90	.24 q	14.0	15.1	.88	3.0
Warner-Lambrt	WLA	89.75	84.75	87.25	2.00	2.35	89.75	59.88	5.00	.92 q	21.1	16.6	2.56	2.9
Zenith Labs	ZEN	1.88	1.50	1.63	-.25	-13.33	2.75	1.00	-.56	-.49 n	NE	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	44.63	42.00	44.00	1.63	3.83	44.63	28.38	2.44	.56 f	29.8	18.0	.80	1.8
K mart Cp	KM	39.88	37.50	37.88	-1.50	-3.81	40.38	30.25	4.00	.60 f	17.6	9.5	1.64	4.3
Melville Cp	MES	41.38	39.50	40.88	-.13	-.30	42.75	31.00	1.63	-1.12 q	-40.6	24.9	1.30	3.2
Penney, JC	JCP	56.50	53.13	53.13	3.13	5.90	56.50	43.50	6.02	1.91 f	46.5	9.3	2.24	4.0

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

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Rite Aid sues Grass accuser over charges

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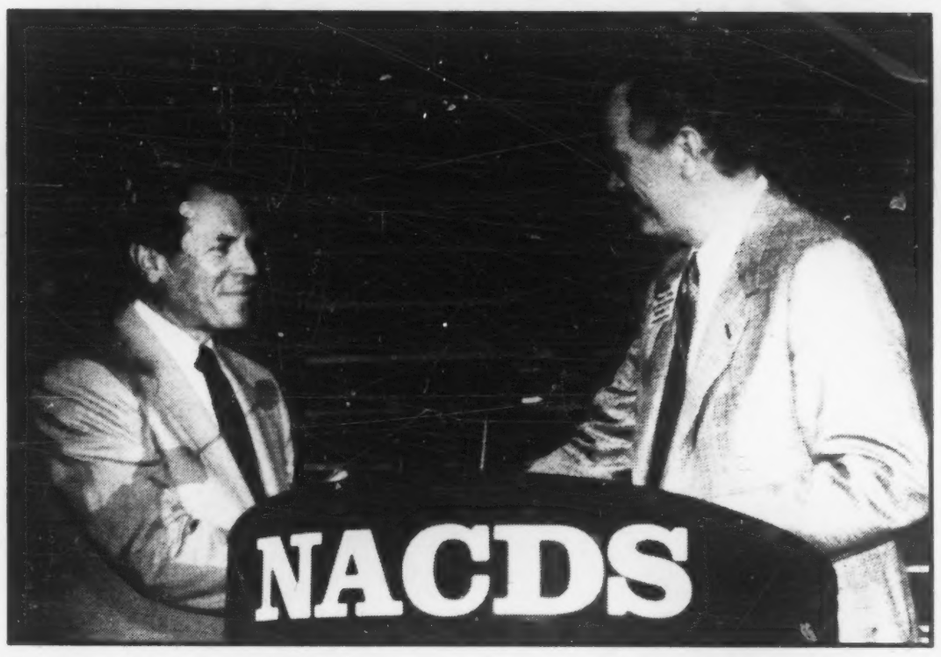
DRUG STORE NEWS®

SECOND CLASS

Vol. 11/No. 11 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. May 29, 1989



Stewart Turley of Eckerd (r) passes the chairmanship mantle to Jerry Heller of May's at recent NACDS Annual Meeting.

Pay 'n Save parent's retailing future rosy

Stockholders told diversification helps

LOS ANGELES — In assessing Pacific Enterprises' takeover of Pay 'n Save and Bi-Mart, chairman and ceo Paul Miller and president James Ukropina told shareholders at the annual meeting that operations are "beyond our top expectations," Pay 'n Save stores climbed into the black in the latest quarter, and 1989 would be a period of digestion.

Miller said the $234 million acquisition, along with purchases, "have always been a key part of the company's strategy and. . . a critical element in our business' success."

He noted that retail diversification by the utility company helps it to weather economic and regulatory changes. "Our main objective, as it has been for years, is to continue to grow," Miller stated.

He was pressed into his apparent defensive posture since Pacific Enterprises reported 1988 net earnings fell to $222 million from $251 mil-

See **Pacific,** *page 21*

NACDS's Heller seeks 'fair shake' from government

PALM DESERT, Calif.— With the bang of the gavel and a promise to bind together NACDS membership through training, education and productivity, Jerry Heller, president and ceo, May's Drug Stores, officially started his 1989–90 reign as NACDS' chairman of the board.

Emphasizing that he represents a small chain (26 stores based in Tulsa), Heller said that among his many goals as NACDS chairman was a commitment to getting a "fair shake from government" for both large and small chains. In making his comments, he used the newly-passed Medicare Catastrophic Bill as an example. "We will fight for a fair and reasonable reimbursement on Medicare prescriptions," said Heller.

While the passing of the gavel to Heller from former NACDS chairman Stewart Turley marked the beginning of Heller's term of office, it also brought to an end the 1989 NACDS Annual Meeting that was reported to have broken all previous attendance records.

Approximately 2,300 industry execs and spouses attending the meeting had the opportunity to exchange business ideas, attend social and sport functions or just bask in the hot desert sun around the hotel's spacious pool.

Attendees were also treated to several stimulating general sessions that featured presentations from such digni-

See **NACDS,** *page 21*

McCormick Place was site for FMI's meeting.

Bigger Rx, H&BA role for food stores?

Non-food interest grows at FMI meet

By James Frederick

CHICAGO — If the latest annual meeting of the Food Marketing Institute is any indication, supermarket retailers are looking harder than ever at prescription drugs, H&BAs and other non-food categories as ways to boost profits and wrest market share away from drug chains.

In an atmosphere rife with concerns about pesticide scares and two-tier pricing, the FMI's 1989 Supermarket Indus-

See **FMI,** *page 21*

"A pharmacy adds character and personality to a food store," noted McKesson's Eugene Bannon.

LATE NEWS

• CINCINNATI — Kroger said it plans to open 35 grocery stores a year between now and 1991, down from a pace of 65 annually earlier in the 1980s, Dow Jones reported. The chain will instead double its remodeling efforts to about 270 stores over the period. Kroger attributes the change to its $4 billion debt burden, which stemmed primarily from last year's massive restructuring to block a takeover bid.

• VICTORVILLE, Calif. — Longs Drug Stores is set to test a new store interior design here in late July, which sports new shelving and graphics. The 25,000-square-foot store in this high desert community will have a "softer look," a chain spokesman said.

• LIVERPOOL, N.Y. — Fay's Drug Co. reported a 48-percent increase in net earnings, to $1.36 million, in the first quarter ended April 30, compared with $916,000 in the same period a year ago. Revenues climbed 7 percent, to $131.1 million, from $122.4 million in the year earlier quarter, the chain said.

Bergen plans nationwide TV ads for its Good Neighbor program

By Pamela Krein

ORANGE, Calif. — In an unprecedented move for the giant drug wholesaler, Bergen Brunswig plans to take to the national television airwaves later this year to support its voluntary Good Neighbor Pharmacy program.

Bergen has run regional commercials, but has never before produced a nationwide television campaign for the program. While the move is a Bergen first, the scope and depth of the television support is also reportedly an industry first.

> *The scope and depth of the television support is reportedly an industry first.*

Expected to break around the third quarter, the commercials will run on Cable News Network news and health-related shows throughout the day, vp-merchandising Tom Allison told *Drug Store News*. Institutional commercials, they will focus on the benefits of a Good Neighbor Pharmacy, Allison said. Currently, Bergen has 700 stores throughout the country participating in the voluntary group that began in 1972.

Allison estimated that the commercials, which will be funded jointly by Bergen and the Good Neighbor Pharmacy stores, will make 186 million

See **Bergen,** *page 21*

NEWS IN BRIEF

NACDS endorses fairness statement

PALM DESERT, Calif. — A first for the organization, NACDS is now actively involved in the endorsement of an Inter-Industry Fairness Statement that seeks to establish voluntary grocery product availability guidelines.

Aimed at the manufacturing and distribution sectors, the statement issued here at the recent NACDS annual convention calls for an end to "class of trade" pricing and promotion discrimination. The guidelines ask manufacturers to make available to all retailers any special prices, terms, promotions, deals or packing designs.

The Inter-Industry Fairness statement is just one portion of the Trade Practice Guidelines for the Retail Industry, which are currently under revision and expected to be completed by 1990.

Bartell readies 100-year celebration

SEATTLE — Aggressive television, radio and billboard advertising will be key to Bartell Drug's 100-year celebration, set to kick off in January. The 31-store chain based here is currently working with vendors to establish a full year-long marketing and promotional program. Early plans call for a "100 years thanks to you" campaign that will pay tribute to customers, employees and vendors.

Perry hosts health care show

FLINT, Mich. — Perry Drug Stores' ComfortCare division hosted a trade show featuring medical equipment and supplies for hospitals, doctors and other health care providers here May 12. The show drew more than 70 manufacturers.

The ComfortCare operation sells and leases home health care products, wholesale medical supplies and other equipment. It also operates clinical laboratories.

Newest A.L. Price store debuts

OKEMOS, Mich. — Perry Drug Stores opened its 15th A.L. Price deep-discount H&BA store here recently, marking its fourth store in the Lansing market. The 17,000-square-foot off-pricer is Perry's second in the area.

Drug Mart adds 2 stores, roster now 8

DES MOINES, Iowa — Drug Mart, the largest locally-owned drug chain here, has added two stores, increasing its roster to eight.

The chain recently purchased two 2,800-square-foot independents that were formerly Union Prescription Center stores. Together, they generate $600,000 annual sales, raising Drug Mart's annual volume to $4.5 million. It holds about a 20 percent share of the metro market against such competitors as Walgreens, K mart and Wal-Mart's Dot, president Jim Spratt told *Drug Store News*.

He described Drug Marts as a cross between a corner drug store and an apothecary, ranging in size from 1,800 to 4,500 square feet.

Arbor Drugs opens its 86th store

TROY, Mich. — Arbor Drugs opened its 86th store here May 8, in Newberry Square Plaza, Walled Lake. The 10,220-square-foot unit is the fifth of 10 openings Arbor plans this fiscal year.

"We are most pleased to be opening another location in western Oakland County," Eugene Applebaum, president, said. "This expansion is in response to our customer surveys requesting addition Arbor locations in this market."

Forbes Magazine recently ranked Arbor 88th among the top 200 Best Small Companies in America.

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Rite Aid sues consultant over Grass bribe charges

CLEVELAND — Rite Aid charged that a former Peoples Drug Stores employee initiated meetings with president Martin Grass and then schemed to have Grass arrested for bribery.

In a lawsuit filed May 17 in U.S. District Court here, Rite Aid alleged that the former Peoples employee, Melvin Wilczynski, falsely claimed to the press and investigators that Grass had initiated meetings in April at which Wilczynski's employment with Rite Aid was discussed.

The meetings culminated in Grass's April 27 arrest on a charge that the Rite Aid president bribed the defendant to resign from the Ohio Pharmacy Board.

In the suit, which seeks a minimum of $150,000 in damages, Rite Aid petitioned the federal court to void the contract buyout pact, valued at $69,000, that it had with Wilczynski on the grounds the agreement was an attempt to defame the company and have Grass arrested.

The Cuyahoga County prosecutor's office this month presented evidence to a grand jury seeking Grass's indictment on the bribery charge.

"Neither Rite Aid nor its officers ever attempted to bribe Wilczynski," the suit claimed. "Rather, Rite Aid. . . met with Wilczynski at his request . . . in order to satisfy the obligations which Wilczynski claimed Rite Aid owed him under [the contract]."

The settlement with Wilczynski involved an agreement that Rite Aid would pay $33,000, plus health benefits, to resolve a pact he had with Peoples Drug, according to termination terms spelled out in the contract.

Reached at his home last week, Wilczynski declined to comment and referred questions to David Roland, the Ohio pharmacy board's administrative assistant for legal affairs.

Roland confirmed that Wilczynski remains a board member, but he said he could not "confirm or deny" whether the state of Ohio will be handling Wilczynski's defense.

The suit alleges that Wilczynski initiated meetings with Grass in which he told the Rite Aid president he didn't like Rite Aid and didn't want to work for the drug chain.

"When Grass expressed concern to Wilczynski about Rite Aid's retaining a consultant. . . who was also a sitting member of the pharmacy board and who was so anti-Rite Aid, Wilczynski asked Grass if Grass thought that Wilczynski should resign from the pharmacy board," the suit says.

It says that Grass offered the defendant two options. He could stay on as a consultant and "remain a member of the [board] until his term either expired or was not renewed."

Or, Rite Aid would buy out the contract and "Wilczynski would also agree to resign from the. . . board at an unspecified future date," the suit says.

Dominick's plays hard ball with Chicago's hypermarket suppliers

NORTHLAKE, Ill. — Dominick's Finer Foods was quick to respond to reports that Auchan was seeking special deals from suppliers for its first Chicago-area hypermarket, which opened May 3. Dominick's immediately fired off a letter to all its major suppliers, warning them that any vendor who responded to Auchan's request for exclusive store-opening deals would be billed by the food and combo store chain for similar price breaks.

"Any vendor or supplier who responds positively to any of the hypermarket operator's new-store demands and who had this offer available in 1988," the letter warned, "will promptly receive an invoice from Dominick's Finer Foods for our eight stores which opened in 1988."

The letter was signed by Dominick's president Daniel Josephs. In it, he noted that Dominick's had learned from some of its vendors that Auchan had made a number of demands from them, including steep price cuts on both promotional and non-promotional items for the first 12 weeks of business; free merchandise; a hefty co-op ad fee for inclusion in an in-store ad circular; and accelerated shipment schedules in the early weeks.

The letter also warned that Dominick's would keep close tabs on the hypermarket to make sure that vendors were keeping both companies on a level playing field. That effort is ongoing according to Dominick's spokesman Larry Nauman.

"We do have reps in our sales forces out looking at the store, trying to figure out . . . if there's been a special arrangement or not."

Meanwhile, he said, response to Dominick's letter has been good. "We've had a multitude of our vendors respond, saying they are honorable businessmen in their relationship with their clients, and that they aren t treating Auchan favorably in any way in their pricing.

"We're certainly hoping so. We welcome the competition, but not this kind of activity."

For its part, Auchan is taking a no-comment position. A company spokesperson did say, however, that "everything we've done has been honest and above-board, and we have nothing to hide.

"We see this as normal competition," she added.

MIDWEST REPORT
JAMES FREDERICK

Golenberg planning to head west

CLEVELAND — Revco board member Glenn Golenberg, who was been hit with a hefty fine by the Securities and Exchange Commission in early May for alleged securities violations, is planning to leave Cleveland and move to California by the end of the year.

In a statement, he alluded to "the growing number of professional opportunities . . . out West," but indicated he would maintain business ties to Cleveland, including his membership on Revco's board.

Golenberg, who heads his own investment company, was accused by the SEC of leaking inside information about Revco's pending leveraged buyout in 1986 to investors who profited from the information. Without admitting or denying guilt, he agreed to pay a civil fine of almost $470,000 and refrain from investment and securities activities for at least four years.

Golenberg's associates, including those at Revco, have generally stood by him. They point out, for instance, that his verbal slips in late '86 profited others, not himself.

Phar-Mor upgrades image with quality circulars CHICAGO — Deep-discount juggernaut Phar-Mor has turned its "Power Buying" promo theme up another notch in this market. The chain now prints its six-page newspaper inserts on high-quality, semi-slick, four-color stock.

The new circulars rival those of Walgreens for impact, and are jazzier than those of almost any Chicago-area retailer. They're jammed with price specials, full-color product photos, contest promotions and pharmacy-related messages.

A recent issue spotlighted a new pharmacy program at Phar-Mor to improve child safety in the home. "Clean out your medicine cabinet and bring an old prescription container to the Phar-Mor Pharmacy nearest you," the ad tells customers. "We'll exchange your old container for a Safe Kids Kit with product samples, safety guides and valuable coupons."

Phar-Mor has provided 700 of the kits to each pharmacy.

OPINION

These are heady days for NACDS

IN THE MARKET
BRUCE BUCKLEY

Yes, the mid-afternoon desert heat made NACDS's tent-like "oasis" seem more like a Bedouin torture chamber than a setting for serious business discussions (before the air-conditioning was fixed).

And, yes, standing downwind of the camels tethered outside the tent required a certain degree of olfactory fortitude.

But these were minor quibbles when compared to the overall sense of accomplishment at the NACDS annual meeting earlier this month at the Marriott Desert Springs in Palm Desert, Calif. Some 2,300 attendees took part in a five-day whirlwind of business and social activities with only minor hitches, a credit to the professionalism of the staff put together by Ron Ziegler.

These are heady days at NACDS. Continuing growth seems assured, as the association reaches out not only to drug chains but also to supermarket and discount department store chains with pharmacies and even to assemblages of independents with a common banner, like Medicine Shoppe. Tired old squabbles among pharmacy associations have been shelved in the recognition that coalitions mean more muscle in the legislative and regulatory wars.

The issues uniting these disparate retailers and associations are powerful. Cost containment efforts by private industry and government threaten the financial well-being of everyone engaged in the practice of pharmacy. Some estimates have third-party prescriptions eventually accounting for 70 percent of the business. If the cost-cutters continue to squeeze pharmacy margins, many retailers won't be able to survive.

A Darwinian might say that pruning out weaker retailers is a natural process, like a hurricane ripping away dead trees. But I would reply that a diversity of retail formats, big and small, is important and worth preserving. Which is why NACDS's attempts to counter the misguided efforts of some cost-cutters is so crucial to pharmacy's, and ultimately the public's, long-term health.

Hilden (left) and Skaggs acknowledge awards at NACDS business session.

* * *

At its opening business session Sunday morning, NACDS presented well-deserved awards to two industry veterans who have almost achieved the status of legends in the business. One is semi-retired but the other still very much active in the retail wars.

The association's Robert B. Begley award went to George Hilden, who managed the first Osco store in Rochester, Minn., and eventually rose to become president of the chain, which is now the industry's second largest. Hilden remains active today as a spokesman for Hallmark/Ambassador.

The second honor, the association's newly minted "Lifetime Achievement Award," was presented to Sam Skaggs. His achievements as the architect of American Stores and, more important, his brilliant innovations in the field of supermarket and drug retailing, make the award truly fitting. No one is more deserving of a lifetime achievement award than Sam Skaggs.

Third-party merits should be debated in open

WASHINGTON PERSPECTIVE
KEN RANKIN

As third-party prescription drug coverage becomes increasingly widespread, it becomes even more important for drug stores to make informed decisions on whether or not to participate in these plans.

Those decisions should be based on a number of factors, including pharmacy reimbursement levels, paperwork requirements, and promptness of payment. In addition, the number of beneficiaries in a particular market area is often a key consideration.

But another important and legitimate factor in deciding whether to participate in a particular program is the level of participation by other drug stores.

It might well be a mistake to refuse to participate in a third-party Rx program that offers low reimbursement but nevertheless manages to attract most other competing pharmacies. The drug chain or independent pharmacy that withdraws from such a program may lose considerable business to competitors.

On the other hand, it would be much less painful to withdraw from a low-paying third-party plan that had few other participants. Indeed, those are the very programs that drug stores should stop participating in. Because they underpay pharmacists, these cheap-skate programs drive up costs for private cash-paying consumers of prescription drugs.

Problem is, some people don't want drug stores to know whether or not it's "safe" to drop out of any particular third-party drug program.

The folks in charge of New York State's employee Rx plan don't want pharmacies to know this information. And the Federal Trade Commission's euphemistically-titled "Bureau of Competition" doesn't either.

That's why FTC filed antitrust charges against the Chain Pharmacy Association of New York State as well as several of its chain drug members.

According to the commission's complaint, the N.Y. chains "conspired to boycott" the state employee's Rx plan as part of an alleged plan to force up pharmacy reimbursement levels. According to the FTC, that alleged conspiracy resulted in the state abandoning plans to slash product cost reimbursement to participating chain drug stores to AWP minus 12 percent. Instead, N.Y. agreed to a somewhat less intolerable AWP-less-5 percent formula for participating drug chains.

As a result, FTC anti-trusters contend, the state was "coerced" by the chains into losing at least $7 million since mid-1986.

The entire case hinges on the FTC's allegation that the chains "conspired" to drive up reimbursement levels by threatening to boycott the New York program.

None of the activities allegedly engaged in by the chains—including a threat to withdraw from the program—would be unlawful if done independently of one another. Only if there were an agreement among the competing chains to jointly take action against the program would their actions violate the antitrust laws.

For their part, officials at the New York drug chains as well as the state association vigorously deny the existence of any such conspiracy.

How does FTC substantiate its charge? According to the complaint, the so-called "conspiracy" consisted of nothing more than "meetings" and "communications" through which the chains announced whether or not they planned to continue participating in the plan in view of the proposed reimbursement cuts.

Specifically, the FTC charged that the association "held meetings at which some respondent pharmacy firms informed other pharmacy firms that they would not participate in the proposed" N.Y. State Rx program. "Through these exchanges of information" the chains "agreed to refuse to participate in the Employees Prescription Program at the proposed reimbursement level, for the purpose of increasing the level of reimbursement offered," the commission maintained.

Is this evidence of an illegal conspiracy to thwart the federal antitrust laws? I don't think so. And neither do many people at the FTC. (Indeed, two of the agency's five commissioners voted against issuing the complaint in the first place.)

Problem is, by filing these charges, the FTC could discourage chains and independents from critically scrutinizing third-party prescription programs.

While the ultimate decision on whether to participate in any particular plan must be made independently, pharmacists can and should debate the merits of third-party programs openly.

Moreover, since the degree of pharmacy participation in a third-party plan is often an important factor, drug stores should not be barred from making their decisions public.

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Ethnic merchandising

BEAUTY TRENDS

Ethnic sales up slightly, chains optimistic in 1989

Aggressive promotions and added space boost category sales

Growth in ethnic hair care sales

(For the twelve months ended Dec. 31, 1988)

Outlets	1988 sales (millions)	% change vs last year	Share of dollar sales
Drug	$161.6	5.8%	56%
Food	$ 67.0	3.6	23
Mass merchandiser	$ 59.4	22.7	21
All three outlets	$288.0	8.3	100

Source: Nielsen Marketing Services

Many chain drug retailers and ethnic distributors feel that sales of ethnic products could be better in 1989 than they were in 1988, a year of modest gains.

Their optimism is based on the facts that new stores often offer many of the products and aggressively promote the category, and stores that already enjoy heavy black traffic are devoting more space to ethnic products.

Many sources said overall sales were up almost 4 percent in 1988. Other chains and distributors said they fared better and continue to do so because of more aggressive merchandising. Best reports have the category up about 10 percent.

Nielsen Marketing Services estimates that sales last year were slightly better than flat. Nielsen also said the industry probably experienced more growth in ethnic than buyers realize. Store audits show that on a same-store basis, the category grew by almost 4 percent in units in drug stores, and nearly 6 percent in dollars.

Nielsen also notes that warehouse inventory levels for drug stores did not keep pace with sales growth. Warehouse levels were only up 2.6 percent while units were up 3.6 percent. Sources for Nielsen speculated that perhaps buyers are looking at the slowdowns in their warehouse levels and aren't realizing that the sales growth at store level is stronger.

Strongest growth segments

According to Jim Normandin, the ethnic products buyer at Beauty Enterprises, the strongest growth areas this year are: shampoos; hosiery; shaving creams; depilatories; skin creams; non-aerosol, comb out sprays; hair color; conditioners; and hair dressings.

Dan Medow, president of Standard Distributing, singled out pantyhose, men's shaving creams, hair sheens, skin tone creams, relaxers and curl/wave kits for shorter hair, and hair and scalp conditioning treatments as his strongest growth segments.

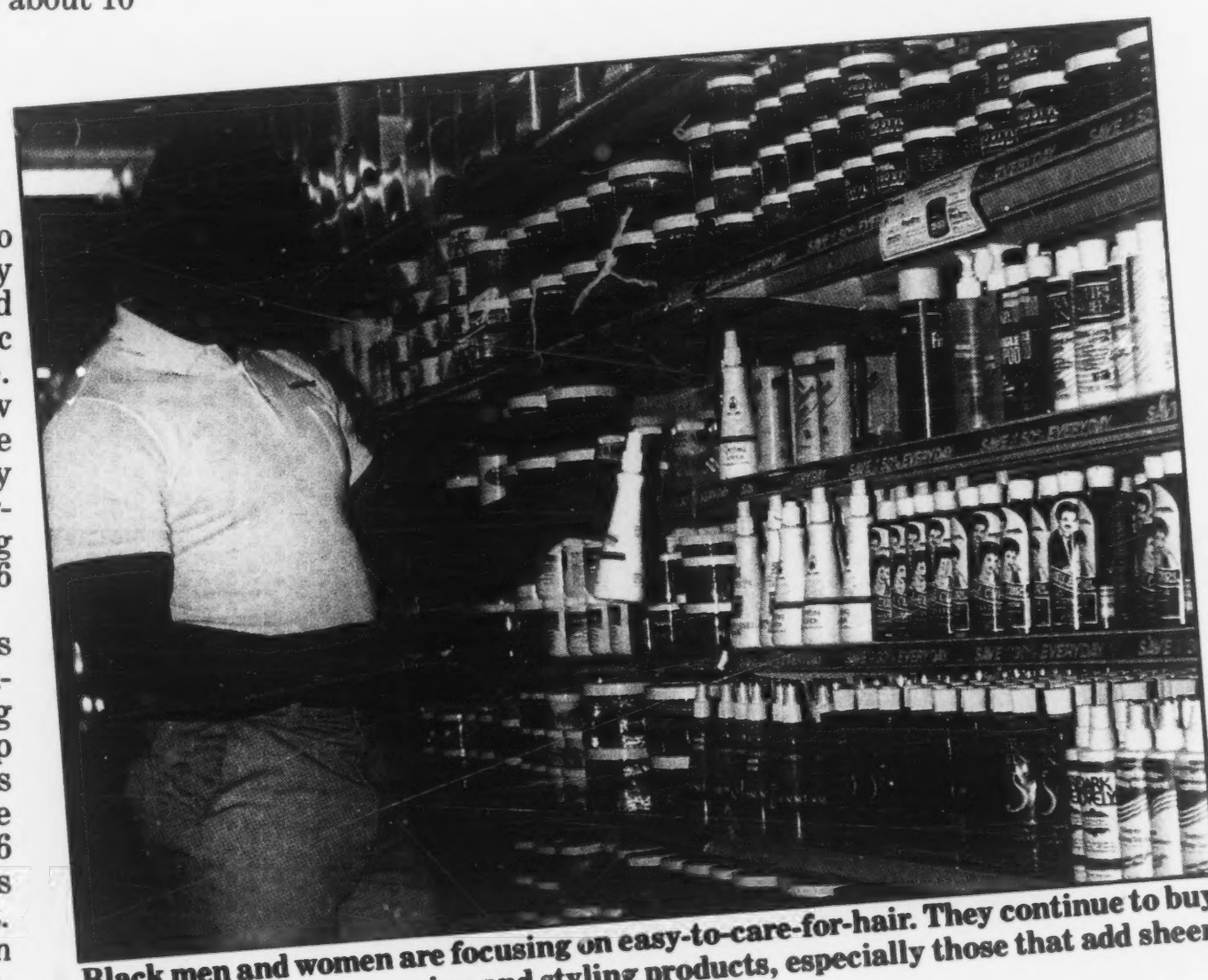
Tom Hood, vp of sales for Georgia-based Ben Sheftall Distributors, said that general relaxers as well as relaxers made specifically for men and relaxer maintenance products were his best segments.

Hood also said skin care and hosiery sales were up, with Ambi and Artra showing the most growth in skin care and Afrotique dominant in hosiery.

In Atlanta, Mike O'Neil, ethnic product buyer with Harris Beauty Supply, said that his relaxer sales were still

Continued on page 12

According to Jim Normandin, the ethnic products buyer at Beauty Enterprises, the strongest growth areas this year are: shampoos; hosiery; shaving creams; depilatories; skin creams; non-aerosol, comb out sprays; hair color; conditioners; and hair dressings.



Black men and women are focusing on easy-to-care-for-hair. They continue to buy a broad variety of grooming and styling products, especially those that add sheen to the hair.

Chains vie for share of ethnic amid increasing competition

As competition increases for the ethnic customer's attention, drug chains are trying to spark growth by paying more attention to off-shelf displays and feature prices.

"This is about the only way you can get the consumer's attention these days," said Charles Monk, Harco's ethnic product buyer.

At Perry Drug in Detroit, Steve Lund, vp of H&BA merchanding, reported that Perry was able to reverse a downtrend in sales, noticed in the first quarter, by instituting an aggressive price reduction program on Perry's Top 50 best sellers.

Other chains have also become more aggressive with their pricing, including Peoples, Harco, Walgreens, SupeRx, Eckerd, Osco, Thrift Drug and Arbor. As chains reduce prices, however, they are also reporting that margins are shrinking on the category, or at least on the price-sensitive brands that most chains use as loss leaders.

However, several sources say they were offsetting the margin erosion by "generating more traffic and higher dollar sales, as well as by buying differently." Some traditional chains, for example, are working with their distributors to buy certain items on an almost permanent promotional basis just as deep discount drug stores do. Several sources said this approach has given them an excellent price-value image at very little cost to overall margins.

Buyers say competition from low price competitors like beauty and barber shops, discount stores and deep discount drug stores has gotten so intense they have to do much more than just lower prices.

But this year, buyers say the competition from low price competitors like beauty and barber shops, discount stores and deep discount drug stores has gotten so intense for ethnic shoppers that they have to do much more than just lower prices.

"You have to show your customers that you are committed to the category and that

Continued on page 14

Top 20 items ranked by first quarter dollar sales

Rank	Brand	Size	Manufacturer
1.	Care Free Curl Moisturizer	16 oz.	Soft Sheen
2.	Care Free Curl Moisturizer	8 oz.	Soft Sheen
3.	Gentle Treatment Reg Relaxer		Johnson Products
4.	Dark & Lovely Cream Relaxer Plus		Carson
5.	Dark & Lovely Cream Relaxer		Carson
6.	Soft & Beautiful Relaxer		Pro-Line
7.	Luster Oil Moisturizer	8 oz.	Luster Products
8.	Right On Curl Activator-Bottle	16 oz.	Lustrasilk
9.	S-Curl Kit Extra Strength		Luster Products
10.	S-Curl Kit Regular		Luster Products
11.	Raveen No-Lye Creme Relaxer		Supreme Beauty Products
12.	Care Free Curl Activator	8 oz.	Soft Sheen
13.	Right On Instant Moisturizer	8 oz.	Lustrasilk
14.	Soft & Beautiful Relaxer Super		Pro-Line
15.	Revlon Realistic Kit Regular		Revlon/Roux
16.	TCB Hair/Scalp Conditioner	8 oz.	TCB, Alberto-Culver
17.	Right On Curl Activator Bottle	8 oz.	Lustrasilk
18.	Gentle Treatment Relaxer Extra		Johnson Products
19.	TCB Oil Sheen Spray 25% free	16 oz.	TCB, Alberto-Culver
20.	Care Free Curl Activator	16 oz.	Soft Sheen

Source: Standard Distributing, Inc.

Ten strongest growth segments in ethnic products

Segment	% change in dollar sales vs a year ago
Shampoos	24%
Hosiery	18
Shaving creams/depilatories	17
Skin creams	14
Non-aerosol comb out sprays	12
Hair color	12
Conditioners/hair dressers	10
Styling aids	8
Relaxers	7
Activators	3

Source: Beauty Enterprises, Hartford, Conn.

Ethnic sales up, chains are optimistic

Continued from page 11

strong, hair color was very good, and hair spray and sheen products were steadily going up.

In the Washington, D.C./Virginia region, Hollis Hill, director of sales for Harris's Mid-Atlantic markets, says oil moisturizers and relaxers are his strongest sellers. "The curl is not completely dead," he reports, "but it's clear that relaxers are now the most popular look."

In Chicago, Lou Orenstein, president of Judith Lynn Beauty Supply, also identified relaxers, conditioners, holding sprays and sheens as his fastest-growing categories.

Shampoo growth strong

Shampoos are going through a particularly strong growth curve right now, up as much as 24 percent overall this past quarter, according to Beauty Enterprises.

Sources say much of this growth is do to the launch of Soft Sheen's new Optimum Care line. Part of the line includes a high quality, 16-oz. shampoo and conditioner, and buyers tell us that for the first time "significant numbers" of black shoppers are opting to buy an ethnic shampoo rather than a popular mass brand.

Styling aids growing

With the exception of mousse, the styling aids category continued to do well this year.

However, in Oklahoma City, Kent Humphreys, one of the co-owners of Jack's Service Co., warns that some of the growth segments from last year are already starting to "max out," especially for those retailers and distributors who are "up to date" on the latest trends in this category.

"Everyone's brought out a gel in the last 24 months," he says. "These aren't high-ticket items and they're easy to knock off, so I think for the more alert retailers and distributors, gels are close to saturation now."

What went down

In most markets, the curl kit and curl maintenance segments are still on a down trend, with most distributors estimating declines of about 6 and 8 percent, respectively.

In the Midwest, Dan Medow, president of Standard Distributing, reports that curl kit sales are now so inconsequential in his market that he doesn't even include them in his breakouts of the segments that do 80 percent of his sales.

No new styles

In California, Chuck Lewman, president of Paul's Sundries, pointed out that the ethnic consumer is no longer showing a "clear consensus about what's fashionable.

"Today," he said, "people are wearing a variety of looks. There's no one overall style to drive the business the way the curl look drove sales earlier in the decade.

"It appears as if today's ethnic consumer is opting for less time-consuming, easy-to-care-for styles," said Jim Normandin, ethnic products buyer for Beauty Enterprises.

"They're using more shampoos, more sheen and more color, but they're not going to any one trendy style or image. It's the consumers who are making the decisions out there, not the fashion world."

That's why so many chains today are paying such close attention to their mix, their in-stock levels, their off-shelf displays, their selection, and their ads.

Chains that are able to stay on top of these priorities, like Walgreens and Eckerd, have been able to generate growth in this category. Those neglecting them have suffered.

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BEAUTY TRENDS

Ethnic merchandising

Breakout of ethnic product sales by segments

Category	% share of sales*
Curly look maintenance	28.9%
Hair/scalp conditioners	18.9
Relaxers	13.2
Pressing/styling aids	3.15
Detanglers/comb outs	2.9
Wave kits	2.9
Skin tone creams	2.6
Hair coloring	2.3
Hair sheens	2.1
Pantyhose	2.0
Mens shaving	1.8

*Based on sales trends in the Midwest region
Source: Standard Distributing, Inc.

Competition grows in ethnic market

Continued from page 11

you can provide them with the selection they want at convenient hours and convenient locations," says Lund.

One buyer said his objective for this year is "to give customers the variety they need to satisfy their various needs and to give as broad a selection of product as possible." Chains unable to stay in stock or those that are behind the times in mix are suffering with this category, he said.

"Our cosmeticians are critical to our success in this area," says a Walgreen's manager in a Chicago store. "The company spends a lot of time educating them in product benefits. As a result, they're able to make intelligent product recommendations. And they also take the time to create off-shelf displays for the products we feature each month, and that helps tremendously in creating impulse sales as well as in establishing us as consistent in our commitment to the category."

Bringing in hot items

Eckerd is also doing a good job in this category, sources said. Both distributors and store managers say Eckerd stores have been able to squeeze growth out of ethnic products by staying abreast of trends and bringing in hot items faster than competitors. Eckerd has also been known to advertise the category more, give it more off-shelf display space to back up ads, and improve its mix of planogrammed products.

Perry Drug, SupeRx, K&B, Harco Drug, Big B and Kerr Drug are also doing a good job with this category, sources said. One source for Big B attributed the chain's success to being able to "single out in-demand items ahead of the competition," and management's willingness to make a "commitment to the category in space and advertising."

A source for Harco also said her sales have been helped by her ability, on a store level, to participate in various types of traffic-building programs like consumer giveaways and radio remotes. Other chains have also done very well with shopping spree contests co-funded or sponsored by various ethnic manufacturers.

Product seminars

This year, more chains are sponsoring ethnic product seminars for their cosmeticians. In Pennsylvania, Thrift Drug has done several seminars working through Judith Lynn Beauty Supply, as has Fantle's in the Washington, D.C. market.

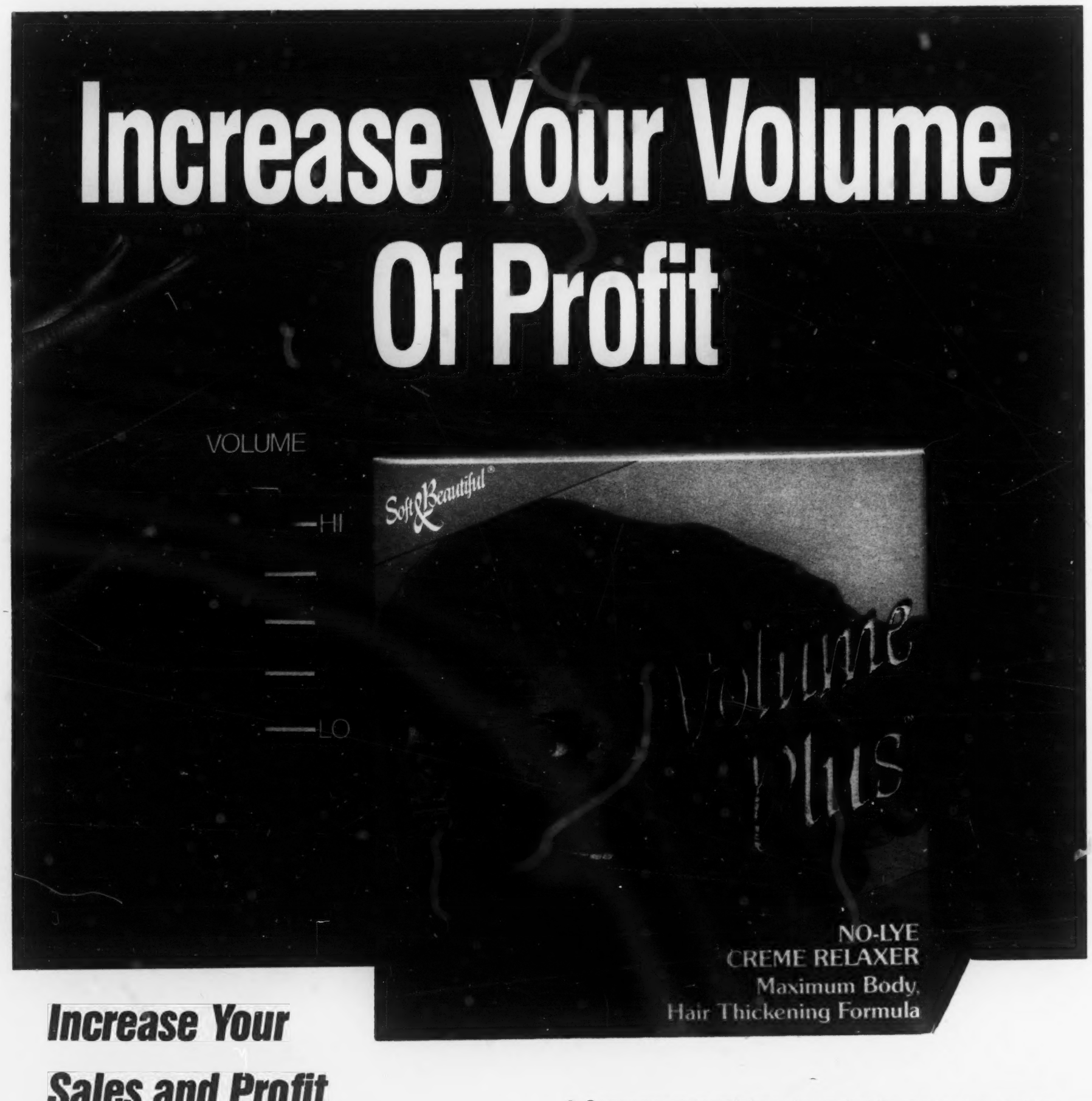
Cordie Kalafut, director of advertising for Judith Lynn, says cosmeticians react positively to the seminars. "All the cosmeticians we dealt with, black or white, were excited about getting more information," she said.

"Some clerks told us they didn't really know what a relaxer did before we gave them the seminar. Many said they came away from the afternoon with a much better idea of what to tell their customers."

In the Mid-Atlantic region, Peoples Drug is continuing to aggressively build its ethnic program in spite of much tougher competition from deep discount drug stores like Drug Emporium and F & M as well as K mart, Safeway and G.C. Murphy.

Vicki Williams, Peoples' vp of cosmetics, said the chain has definitely targeted ethnic as a key core category, adding that ethnic products buyer Errett Thomas is working on a variety of programs to make the category more visible and more attractive to consumers.

Thomas said it would be premature to comment now on the changes, but he said the category is definitely perceived as an area of opportunity for Peoples Drug Stores.



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Ethnic merchandising

BEAUTY TRENDS

Broad mix, pricing boost Perry ethnic sales

At Perry Drug, sales of ethnic products have been climbing for the past three quarters, thanks in part to a more aggressive pricing strategy and Perry's commitment to guarantee its ethnic shoppers a broad product mix that is consistently in stock.

Steve Lund, vp of H&BA merchandising for Perry, said Perry noticed a flattening in sales back in its first quarter, but the chain moved to counter the trend by reducing prices aggressively on its top 50 items and also by focusing ads on Perry's commitment to the category.

"We tell our customers that Perry is serious about ethnic hair care," said Lund, "and that approach has worked well for us."

After Perry reduced its everyday prices on key items, Lund stressed Perry's low everyday prices and product assortment in all radio, TV and print ads as well as in Perry's in-store flyers and semi-annual ethnic care sales books.

"At one point, people had the impression that ethnic hair care was not a price-sensitive category, that if your stores were where the customers shopped, they'd buy from you.

"But that's changed because ethnic hair care products are available at so many more locations now. There's also been a continuing expansion of beauty and barber shops in highly concentrated ethnic markets. They can significantly reduce prices because they usually take small locations and have small overheads. So we're pushed into a much more competitive arena with ethnic hair care," Lund said.

Working with distributor

With the price reduction, Perry also reduced margins somewhat. Lund hastened to add that he worked closely with ethnic distributor, Standard Distributing, and they were able to maintain overall margins close to 30 percent.

"Everything we buy comes from Standard," he said. "There're in our stores at least once a week servicing the department, and in high-volume stores, we have a full service program with them.

"I don't have anyone on my staff who really knows that business," Lund says. "For us to stay on top of that department, I'd practically have to add another buyer."

M & M Products to be acquired by Boston's BML Associates

BOSTON — M & M Products Co., the Atlanta-based manufacturer of Sof-N-Free relaxers and Stay-Sof-Fro relaxers, will be acquired by a black-owned holding company based here, BML Associates.

McKenzie

McBride

Terms of the agreement were not released, but at press time, Cornell McBride, president and ceo of M & M, was estimating the acquisition should be made final before the end of June.

McBride and Therman McKenzie, the chairman and chief operations officer for BML, said the acquisition would not disrupt M & M's relationships with its customers.

Lafayette Jones, former executive director of the American Health and Beauty Aids Institute, helped work out the agreement. Jones is now president and ceo of Smith, Jones and Associates, a marketing firm that specializes in corporate acquisitions and association management.

Jones

Ethnic hair introductions

Brand	Manufacturer	Launch date	Comments
Long Aid Dyna-Sheen Oil Sheen Dyna-Set Holding Spray	Keystone Labs	2nd '89	Sheen & styling duo
Pro-Line Weave Re-Nu	Pro-Line Corp.	1st '89	New maintenance and conditioning system for weaved hair
Nature's Isogro	All Ways Natural	1st '89	A super penetrating daily hair/scalp treatment
Enriched Castor Oil	All Ways Natural	1st '89	Maximum strength hair and scalp conditioner for daily use.
Short Cuts Salon Styling System	Be Natural Beauty Products, Pantresse, Inc.	1st '89	A 7 SKU line designed to enhance the look of precision cuts: 2 relaxers and 5 styling aids
Long Aid's Ultra Group	Keystone Labs	1st '89	3 new hair protectors: Bergamot Ultra Hair Protection Lotion; Nutrition Ultra Dry Hair Conditioner; Sulfur Lotion Medicated Hair Lotion
Promesa	Sterling Cosmetics	1st '89	5 SKU line of hair and skin care products for the Hispanic market
Palmer Lite Pink Mink Oil	E.T. Browne	1st '89	Line Extension
Ultra Sheen Soft Touch Scalp Conditioner/Hair Dress	Johnson Products	1st '89	Line Extension
Ultra Sheen Soft Touch Bergamot	Johnson Products	1st '89	Line Extension
Lite Nature's Super Gro	All Ways Natural	4th '88	Line Extension
Optimum Care	Soft Sheen	4th '88	New line of maintenance and styling products. Support includes $1 million print and TV campaign.
Long Aid	Keystone	4th '88	New packaging. Line extensions: Aloe Vera Gel Light & Dry Conditioners; K7 Oil Moisturizers; Relaxed Hair Manager Light Conditioners
Dark & Lovely Cholesterol Conditioning Treatment	Carson Products	2nd '88	Adds shine & manageability to relaxed or color treated hair
Dark & Lovely Reviving Colors	Carson Products	2nd '88	1st conditioner for women who relax their hair Revives color, adds sheen & conditions the hair.
Let's Jam	Modern Research Labs	2nd '88	Alcohol-free styling gel
Finisheen	Revlon Professional Products	2nd '88	Line Extension: Conditioning Hairdress in two new formulas.
Queen Helene	General Therapeutics	2nd '88	Line Extension: Cholesterol Creamy Hair Conditioner
Weather Wear	Posner	2nd '88	Styling aids for any weather
All Ways Natural Nature's Super Gro	All Ways Natural, Inc.	1st '88	Natural ingredient hair & scalp treatment.
Tight'N'Up	Attitudes Unlimited, Modern Research Labs	1st '88	Ultra fine spray for maximum hold.

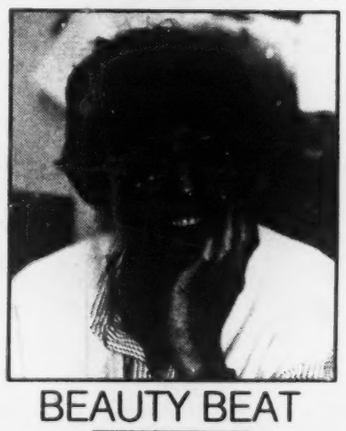
Source: Drug Store News survey

Revco introduces its first Health, Beauty and Fitness Expo

Revco has expanded its annual Fitness Expo into the company's first Health, Beauty and Fitness Expo. The show, which at press time was slated for May 19-20 in the Cleveland Convention Center, was timed to run in conjunction with Revco's 12th annual Revco-Cleveland Marathon and 10,000 Meter Run.

Bob A. Newmark, Revco's vp of advertising and sales promotion, described the show as "the biggest of its kind in Cleveland." He said it broadened the scope of the drug chain's annual fitness expo by including the health and beauty aid products and services.

More than 125 exhibitors from Cleveland and throughout the United States were signed up for event. Revco planned to set up exercise demonstrations, hairstyling and makeovers, and special health, fitness, diet and nutrition programs at the show. It was also set to give away free product samples and cents-off coupons.



BEAUTY BEAT

ELIZABETH PARKS

In addition, more than 5,000 square feet was to be devoted to free health screenings, such as cholesterol tests, provided by Revco and area hospitals.

APEX Creations of Buffalo, N.Y. was managing the show, free to the public and open from noon to 7 p.m. on Friday, and 10 a.m. to 7 p.m. on Saturday. Newmark estimated the expo would draw from 50,000 to 70,00 people, including many of the 12,000 participants in the annual marathon and 10K races also set for that weekend.

He added that he could think of "no better time than the marathon weekend to promote Revco's total 'look good, feel good' commitment to health and wellness."

Revco is the latest drug chain to decide to sponsor a health and beauty aids expo. Peoples Drug started the trend nearly four years ago, and since then a number of drug chains have either copied the idea or broadened their own annual fitness expos to include health and beauty aids products and events. Other chains that have run some form of beauty expo include Eckerd, SupeRx, Thrifty, Fay's, and Harco Drug.

* * *

Promising reports on Noxell intro Early reports on Noxell's introduction of its new Clarion line of skin care products and on Cosmair's introduction of the new L'Oreal Plenitude line are promising.

Cosmetics buyers told *Drug Store News* that the Clarion skin line, which started rolling out in the first quarter of this year, is doing "very well." Some deep discounters said the wall unit doesn't hold enough merchandise for the sales their stores can generate.

Meanwhile, chains that have had Plenitude in test markets like Atlanta are reporting that sales so far have been strong. Most buyers say they plan to keep Plenitude in their H&BA skin care sections where they'll merchandise it next to Neutrogena and Olay. However, they also plan to do secondary locations with prepacks in cosmetics.

Clarion, on the other hand, is strictly a cosmetics line, usually merchandised on the wall next to the Clarion color collection. The color collection itself is also performing well. Buyers say that Noxell's new ad campaign for the line, which highlights the use of the Clarion computer in making a color section, has been "very successful."

FINANCIAL

Med Shoppe's revenues and net earnings increase for 2nd qtr. & six months

ST. LOUIS — Medicine Shoppe International increased net earnings 27 percent and revenues 21 percent for the second quarter ended March 31.

Net earnings were $1.7 million, compared with $1.3 million for the like quarter a year ago. Net earnings per share were up 28 percent, to 32 cents, from 25 cents the year's previous quarter. Revenues rose to $7.1 million from $5.9 million.

For the six months, net earnings were $3.4 million, up from $2.6 million for the comparable period last year. Six-months revenues increased to $14.2 million, compared with $11.6 million.

Sales to franchisees gained 22 percent for the quarter and 27 percent for the six months.

Medicine Shoppe opened 18 units during the second quarter. Thirty-six stores opened during the first six months, compared to 39 units opened during the whole of fiscal 1988.

"Our new program of converting independent drug stores to Medicine Shoppes has been well received and appears to be an excellent source for substantial openings in the future," stated Jerome F. Sheldon, president.

Franchised pharmacies reported total retail sales of $107.1 million for the second quarter, a 16-percent gain over the $92.2 million reported for the comparable year-ago period. Total retail sales also rose 16 percent for the six months. Franchise fees were up 18 percent for the quarter and 17 percent for the six months, compared last year's periods.

HSI in black for 1st 6 mos. for '89

CINCINNATI — Hook-SupeRx reported results in the black for the first six months of 1989, despite asset depreciation charges and debt costs associated with its leveraged buyout.

HSI reported to the Securities and Exchange Commission that it produced net earnings of $7.4 million in the second quarter ended Feb. 28 (including Christmas), compared with $4.9 million in last year's second quarter.

HSI had posted a $6.6 million loss in the 1989 first quarter and a loss for the 1988 year. The losses stemmed primarily from debt costs and charges from writing down assets. Cash flow has been adequate, it said, ending the first half with $8.1 million in cash.

Sales for the second quarter ended Feb. 28 were $460.0 million, including $114.3 million from Brooks Drug. That's 44.0 percent above the $319.3 million in sales during last year's comparable period. Excluding Brooks, sales rose 8.3 percent, including a 7.1-percent gain in same-store sales.

Six-month sales for the 1,047-store chain were $873.4 million, or 46.3 percent above last year's first half.

Arbor Drugs in 3-for-2 stock split; quarterly 4-cent dividend declared

TROY, Mich. — Arbor Drugs has declared a 3-for-2 stock split effective June 15, 1989, to shareholders of record as of May 25, 1989. The chain also declared a quarterly cash dividend of 4 cents per share following the split.

"Today's actions demonstrate our confidence in the future of Arbor Drugs and our commitment to enhancing shareholder value," said chairman Eugene Applebaum. "By increasing the number of shares outstanding, we expect to improve the liquidity of Arbor's stock in the marketplace."

Arbor now operates 86 drug stores in Michigan. Its stock price has climbed from a low of $7.25 to roughly $24 in the past 15 months.

Restructuring charges contribute to FoxMeyer's $27.7M loss for '89

PITTSBURGH — FoxMeyer Corp. had an operating loss of $27.7 million in fiscal 1989, due primarily to charges from its restructuring this year, parent National Intergroup reported.

Sales for the year ended March 31 at the drug and general merchandise wholesaler grew 16 percent to $2.6 billion, helped by the purchase of Zahn Drug Co. of Chicago, NI said.

The Dallas-based company posted fourth-quarter operating income of $1.9 million on sales of $728.6 million, compared with $6.7 million operating income on sales of $588.3 million in last year's fourth quarter.

NI said total fourth quarter corporate net income was $2.7 million, compared with a $30.4 million net loss in last year's fourth quarter. Fourth quarter sales were $862.1 million versus $707.9 million in last year's comparable period.

NI's companies include the Permian Corp., National Aluminum, and an equity stake in National Steel Corp.

For the full year, NI posted a $15.7 million net loss, compared with a $20.6 million net loss a year earlier.

Fiscal 1989 sales were $3.1 billion compared with $3.2 billion in 1988.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 04/28/89 - 05/15/89								Latest 12 Months vs Preceding 12 Months Change				
					Change		52-Week		Last Fiscal Year			Latest P/E Ratio	Indicated Dvd. Rate	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low		Amt.	Pct.		Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	62.00	59.88	60.38	-1.75	-2.82	65.00	47.63	2.54	-1.65 f	-39.4	23.8	1.00	1.7
Arbor Drugs	ARBR	24.75	20.75	24.25	3.50	16.87	24.75	11.00	1.05	.32 s	35.2	19.7	.16	.7
Big B	BIGB	11.63	11.13	11.25	.38	3.45	15.88	10.75	.91	-.03 f	-3.2	12.4	.16	1.4
Fay's Drug	FAY	11.75	11.00	11.75	.63	5.62	12.00	8.00	.73	.32 f	78.0	16.1	.20	1.7
Genovese Drug	GDX	12.88	11.63	12.50	.63	5.26	12.88	8.75	.83	.20 f	31.7	15.1	.22	1.8
Longs Drg Strs	LDG	37.50	35.50	37.00	.88	2.42	38.50	33.63	2.75	.42 f	18.0	13.5	.88	2.4
Medicare Glaser	MGCO	5.75	5.75	5.75	.00	.00	5.88	1.88	-.10	-.23 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	29.50	28.00	28.63	.13	.44	29.50	20.75	1.11	.30 s	31.6	22.9	.10	.3
Perry Drug	PDS	11.63	10.50	10.50	-.75	-6.67	13.50	5.25	-3.14	.18 q	NE	NE	.00	.0
Rite Aid Corp	RAD	35.75	33.00	34.00	-.75	-2.16	39.00	29.13	2.30	-1.11 f	-32.6	14.8	.82	2.4
Walgreen Co	WAG	40.75	37.63	40.00	1.50	3.90	40.75	27.13	2.10	.43 s	22.4	17.0	.68	1.7
Wholesaler's transactions														
Alco Hlth	AAHS	24.25	23.50	24.13	.13	.52	30.25	18.75	1.55	-.11 q	-7.4	17.5	.06	.2
Bergen Bruns	BBCA	28.75	27.25	28.38	-.38	-1.30	30.25	18.75	1.78	.69 s	67.9	12.9	.32	1.1
Bindley Wstn	BIND	8.38	8.13	8.25	.13	1.54	10.00	6.63	.58	.22 q	68.8	15.3	.00	.0
Cardinal Distrb	CDIC	22.25	21.00	21.00	-.75	-3.45	22.25	12.84	1.21	.48 n	45.7	13.7	.08	.4
Durr Fillauer	DUFM	21.50	19.75	21.13	1.13	5.63	21.50	11.88	.92	.09 q	9.7	20.7	.24	1.1
Ketchum	KCH	5.88	5.63	5.88	.13	2.17	10.38	4.75	-4.73	-1.44 q	NE	NE	.00	.0
McKesson Cp	MCK	33.88	32.13	33.13	.88	2.71	35.88	29.63	2.30	.07 f	3.1	14.4	1.44	4.3
Moore Med	MMD	13.13	11.75	12.88	.75	6.19	15.63	9.00	-2.17	-4.00 q	-100.0	NE	.00	.0
Owens Minor	OMI	12.75	12.00	12.13	.00	.00	15.88	11.19	1.00	-.07 q	-7.4	13.8	.26	2.1
Manufacturer's transactions														
Abbott Labs	ABT	59.75	54.63	59.75	4.50	8.14	59.75	43.00	3.33	.53 q	18.2	17.3	1.40	2.3
Am Home Prod	AHP	94.00	90.88	94.00	2.50	2.73	94.00	70.38	6.38	.66 q	11.2	14.3	3.90	4.1
Baxter Intl	BAX	20.75	19.25	20.63	.88	4.43	22.50	16.25	1.31	.15 q	12.6	15.4	.56	2.7
Block Drugs Co	BLOCA	34.25	33.50	34.00	.75	2.26	35.50	25.75	2.29	.31 n	14.2	13.6	.64	1.9
Bolar Pharm	BLR	27.50	24.13	26.63	-.25	-.93	27.88	16.38	1.51	.45 q	41.3	17.3	.04	.2
Bristol-Myers	BMY	50.75	48.00	50.75	2.25	4.64	50.75	39.00	2.88	.38 q	14.7	17.1	2.00	3.9
Carter-Wallace	CAR	42.50	41.63	42.38	.13	.30	43.00	31.88	2.97	.47 f	18.8	14.3	.68	1.6
Forest Labs	FRX	32.38	29.75	32.13	1.88	6.20	32.38	17.25	.96	.23 n	25.3	28.2	.00	.0
ICN Pharm	ICN	6.88	6.25	6.38	-.13	-1.92	7.75	5.63	.23	1.82 q	NE	49.0	.00	.0
Lee Pharm	LPH	4.75	4.13	4.25	-.25	-5.56	7.13	3.75	-.23	.49 s	NE	NE	.00	.0
Leiner P Nutri	PLI	18.00	17.25	17.25	-.38	-2.13	18.00	9.13	.86	.10 n	10.9	16.9	.00	.0
Lilly Eli Co	LLY	58.50	52.38	58.50	4.50	8.33	58.50	36.50	2.67	.53 q	22.8	20.5	1.35	2.3
Marion Labs	MKC	27.25	24.38	26.88	1.50	5.91	27.25	15.25	.96	.39 n	44.3	21.2	.36	1.3
Merck & Co	MRK	71.13	66.75	70.75	2.50	3.66	71.13	48.78	3.05	.80 q	33.1	22.0	1.64	2.3
Morton Thiokol	MTI	47.50	44.00	46.25	.75	1.65	50.00	35.63	3.33	-.82 n	-24.8	18.6	.92	2.0
Mylan Labs	MYL	9.38	8.13	9.38	1.00	11.94	13.25	7.50	.50	-.20 f	-28.6	18.8	.10	1.1
Newport Pharm	NWPH	6.25	5.13	6.06	.81	15.48	6.56	1.75	-.45	-.42 q	NC	NE	.00	.0
Par Pharm	PRX	10.50	8.13	9.75	1.50	18.18	18.50	7.88	.99	-.12 q	-11.3	10.4	.04	.4
Pfizer Inc	PFE	64.25	61.00	63.50	1.63	2.63	64.25	48.38	4.70	.56 q	13.1	13.2	2.20	3.5
Robins, AH	QRAH	27.75	27.00	27.50	-.13	-.45	28.38	21.88	2.42	67.78 q	NE	10.9	.00	.0
Rorer Group	ROR	40.75	39.25	39.63	-1.00	-2.46	48.25	27.75	1.96	-.55 q	-21.6	19.8	.80	2.0
Scherer RP Cp	SCHC	30.25	30.00	30.13	-3.25	-9.74	33.38	18.25	.76	-.28 f	-26.9	39.6	.40	1.3
Scher Plough	SGP	67.88	64.50	67.63	-1.00	-1.46	68.63	45.38	3.48	.77 q	26.4	18.3	1.80	2.7
Squibb Corp	SQB	83.50	75.00	81.50	4.50	5.84	83.50	57.00	4.30	.85 q	23.3	18.1	2.00	2.5
Syntex Corp	SYN	47.25	44.63	46.38	1.38	3.06	48.00	32.63	2.51	.42 s	18.2	17.0	1.50	3.2
Upjohn Co	UPJ	32.38	28.88	32.13	2.88	9.83	34.50	27.00	1.90	.24 q	14.0	16.5	.88	2.7
Warner-Lambrt	WLA	90.63	86.63	90.63	1.75	1.97	90.63	59.88	5.00	.92 q	21.1	17.2	2.56	2.8
Zenith Labs	ZEN	2.50	1.50	1.75	.00	.00	2.75	1.00	-.56	-.49 n	NE	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	46.75	43.13	46.38	2.00	4.51	46.75	28.75	2.44	.56 f	29.8	19.0	.80	1.7
K mart Cp	KM	38.63	37.00	37.88	-.13	-.33	40.38	31.25	4.00	.60 f	17.6	9.5	1.64	4.3
Melville Cp	MES	43.00	40.25	43.00	1.88	4.56	43.00	31.00	1.63	-1.12 q	-40.6	26.2	1.30	3.0
Penney, JC	JCP	60.00	55.50	60.00	4.25	7.62	60.00	43.50	6.02	1.91 f	46.5	10.0	2.24	3.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

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NACDS Palm Desert photo
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DRUG STORE NEWS

SECOND CLASS

Vol. 11/No. 12 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. June 12, 1989

Revco wows Cleveland with Marathon Weekend

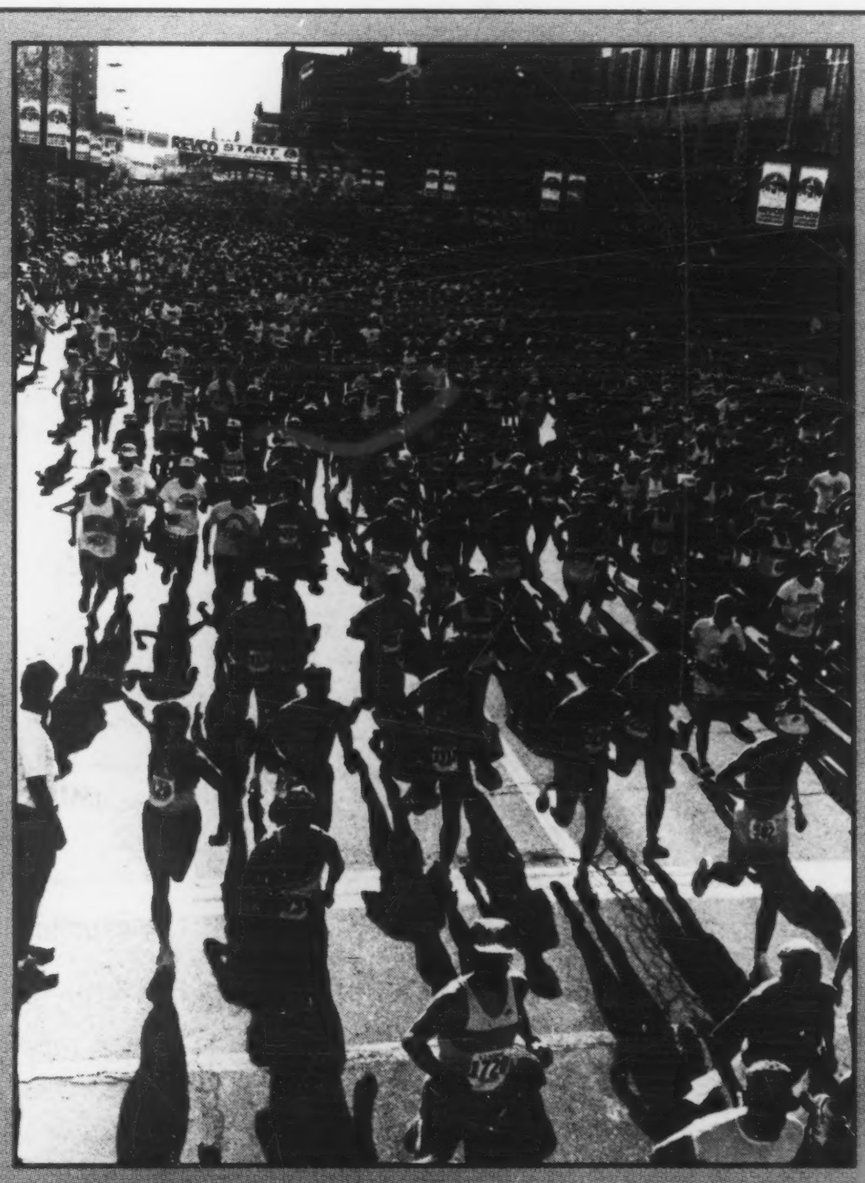
By James Frederick

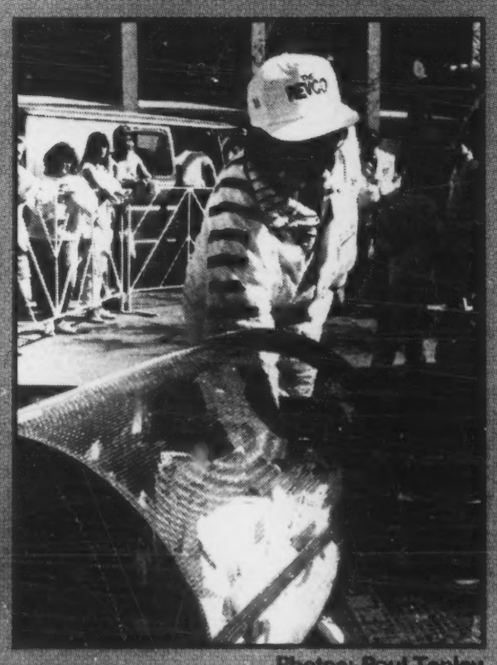
CLEVELAND — Belying the financial problems which led to bankruptcy last year, Revco D.S. staged the most successful hometown marketing coup of its history last month with the Revco-Cleveland Marathon Weekend. The three-day event May 19-21 dazzled this city with the company's first-ever Health, Beauty & Fitness Expo, the first staging of the Revco-Cleveland Criterium Bike Races and the 12th annual running of the Revco-Cleveland Marathon and 10K race.

Running from Friday through Sunday, the festivities lured more than a quarter of a million people and generated a wealth of publicity and good will for the financially troubled drug chain in its home market. And with their growing reputation among world-class runners, the marathon and 10K race also focused national media attention on Revco.

Revco's Health, Beauty & Fitness Expo drew more than 100,000 consumers to the recently refurbished

See **Revco,** *page 2*





Marathon (above) generates international media attention and much local goodwill in Revco's hometown market.

CEO Boake Sells (left) pulls name of car winner from drum.

Photos: Paul Tepley

McKesson wins $1.5B Wal-Mart drug contract

By David Vaczek

BENTONVILLE, Ark. — Wal-Mart has named McKesson to replace FoxMeyer as its only drug wholesaler, in a three-year contract valued by McKesson at $1.5 billion.

The award is a major one, even for McKesson Drug Co., the nation's largest wholesaler with $5.6 billion sales in its 1989 year.

Wal-Mart felt McKesson was better able to increase the frequency of store deliveries, particularly in Southeastern states where a high percentage of new Wal-Mart stores are planned, Clarence Archer, Wal-Mart vp-pharmacy, told *Drug Store News*.

Dallas-based FoxMeyer, the nation's third-largest drug wholesaler at $2.2 billion annual sales, loses an account that generated about $300 million, or 14 percent of drug company revenue in its last fiscal year, a FoxMeyer source said. FoxMeyer controlled the fast-growing Wal-Mart business for the past four years with a contract due to expire Aug. 12.

McKesson will take over the

See **Wal-Mart,** *page 77*

Drug Emporium set to rev franchises in metro New York area

COLUMBUS, Ohio — Drug Emporium is sweeping into the New York metropolitan area with two multi-store franchising packages that encompass several New York and New Jersey counties.

The deep-discount chain has signed a franchising agreement with WAC Drug Distributors to open multiple stores in New Jersey's Morris and Bergen counties and New York's Westchester and Rockland counties, plus the Jackson Heights section of Queens, said Patrick Hiller, Drug Emporium's vp-franchising.

The Jackson Heights store will be the first to open in the New York ADI (area of dominant influence), Hiller said, adding that the 25,000-square-foot unit, in an existing building, will debut in August or September.

A second multi-store franchising package has been

See **Drug Emporium,** *page 77*

LATE NEWS

- TWINSBURG, Ohio — Revco D.S. has won an extension from U.S. Bankruptcy Court in Akron of the period within which it can file a plan of financial reorganization. The court extended the filing deadline to Oct. 31, 1989. Revco also has until Jan. 29, 1990 to win approval of the plan by its creditors.
- PONTIAC, Mich. — Higher margins and expense controls continue to boost earnings at Perry Drug Stores, with net income up 163 percent in the second quarter ended April 30, to $722,000. Pre-tax earnings for the first six months were $4.9 million, compared with $3.2 million for the same period last year. First-half sales were flat at $344 million, due to a shift away from auto parts and an ongoing store remodeling program, said Perry chairman Jack Robinson.
- BOISE, Idaho — Albertson's expects to spend $369 million in capital expenditures this year, and $1.75 billion over the next five years, to add 200 new stores, remodel 175 existing units and add distribution centers, ceo Warren McCain said.

John Gans, Philly school dean, appointed to top APhA position

WASHINGTON — The American Pharmaceutical Association (APhA) has named John A. Gans as executive vp and ceo, said R. David Cobb, APhA chairman.

Gans, a member of APhA for 22 years and currently dean of pharmacy at Philadelphia College of Pharmacy and Science, is scheduled to take up his new duties in July.

His appointment follows a two-month executive search by a special committee headed by Philip P. Gerbino, APhA trustee and chairman-elect, to find a replacement for Jack F. Schlegel, who resigned in March.

Gans

"We are elated to announce this appointment," said Cobb. "Dr. Gans has the vision and leadership qualities to move the association forward. He has distinguished himself in the field of pharmacy, with diverse experience in the areas of practice, research and education."

"In my opinion," said Gans, "APhA must provide the light, the vision, to serve as a beacon for all of pharmacy, directing us in these changing and challenging times to achieve our professional sense of purpose. We—the board, the membership of APhA, with affiliated state associations—need to set the agenda for safe and effective

See **Gans,** *page 77*

NEWS IN BRIEF

Arbor Drugs posts 50% gains in income

TROY, Mich. — Arbor Drugs posted a 50.2 percent gain in net income and a 19.2 percent increase in net sales for the third quarter ended April 30. The 86-store chain also reported a 14.2 percent rise in comparable-store sales for the period.

Third-quarter net income was $1.97 million, compared with $1.31 million for the like period a year ago. Net sales grew to $73.8 million, from $61.9 million for the quarter last year.

For the nine months, net income rose 35.8 percent, to $6.7 million, from $4.9 million for the year-earlier period. Nine-month sales were $222.2 million, up 21.7 percent from the $182.6 million in the prior year. Comparable-store sales for the nine months increased 14.1 percent.

After adjusting for a 3 for 2 stock split declared May 9, earnings per share for the third quarter were 21 cents, up from 14 cents. For the nine months, adjusted earnings per share were 70 cents, versus 52 cents last year.

Big B reports increase in 1st qtr. sales

BIRMINGHAM, Ala. — Big B reported a 50.5 percent increase in sales for the first quarter ended May 6, to $105.6 million from $70.2 million for the like period last year. The chain acquired 85 stores during the quarter. Net income rose to $2.3 million from $2.2 million, prior to the credit of $503,000 for adjustment of deferred taxes.

Revco creates store operations post

TWINSBURG, Ohio — Seeking to beef up the flow of information and support functions from headquarters to stores, Revco D.S. has promoted Robert Thompson to the new post of director-store operations, effective May 28.

Thompson, 35, will serve as the link between all central departments and Revco's four operating regions, and direct store support efforts in communications and information. He will report to executive vp-stores Carl Bellini.

"We are well into the process of strengthening our stores and markets, and it's important that change be managed well," Bellini noted. "With his long Revco experience in pharmacy, merchandising and both store and field management, Robert has the skills and the empathy to see that improvements proceed as they should."

Thompson, an 11-year Revco veteran, last served as corporate liaison coordinating the closings of unprofitable stores. He began his career as a Revco pharmacist and store manager, moving up to area supervisor, district manager and regional merchandise manager in the Carolina region.

Leader joins Good Neighbor program

ORANGE, Calif. — The Leader group of 20 drug stores, based in northern California, has joined Bergen Brunswig Drug Co.'s Good Neighbor Pharmacy program.

The Leader stores will carry the Good Neighbor Pharmacy private label line and use the program's advertising, in addition to other merchandising and marketing resources the program offers its members.

Moore division names nat'l account vp

NEW BRITAIN, Conn. — Moore Medical Corp. has promoted John E. Dillaway to vp-national accounts for its H.L. Moore Drug Exchange division.

Dillaway, who has been with Moore since 1977, was most recently director of sales, a position he assumed in 1988. He served in distribution, then moved up to key account sales. In 1986 he was promoted to director of national accounts.

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Unit growth, new formats head K mart's competitive strategy

By James Frederick

TROY, Mich. — Spurred by the twin challenges of Wal-Mart and a repositioned Sears, K mart Corp. is cranking up the level of competition, chairman and chief executive Joseph Antonini told shareholders here. The retail giant has already quickened its expansion pace, enlarged its core discount store format in line with its new "lifestyle" approach to retailing, lowered prices on thousands of items and pushed into new areas of specialty retailing.

Addressing K mart's 77th annual meeting May 23, Antonini predicted the nation's second-largest retailer will open 75 to 100 of its new, larger-format discount stores a year for the next five year—including some with pharmacies.

Plans for 1995

"By 1995, K mart will be operating a single chain of more than 2,500 retail stores in this country," he said. "Each store will be at least 75,000 square feet, and the average store will exceed 85,000 square feet.

"Complementing the 100 new full-size stores each year will be the physical expansion of 100 to 150 yearly to bring existing locations up to our new store requirements. . . Capital expenditures of $1.3 billion will be allocated for this expansion program."

To compete, K mart has lowered prices on 8,000 items in its discount stores in the last 18 months, Antonini said.

"We're going to continue to be sharper on price," he said. "Our goal is to improve inventory turnover by a minimum of point two-five percent chainwide each year over the next five years."

Following the meeting, Antonini reiterated the chain's commitment to pharmacy operations in its discount stores. K mart now has Rx centers in roughly 1,100 of its 2,300 core units in the U.S. and Canada.

Antonini expects to open 75 to 100 new stores annually through 1994, including some with pharmacy.

Meanwhile, the company is pushing harder than ever into specialty retailing.

K mart's specialty divisions include Pay Less Drug Stores Northwest, which last year opened 26 new units in the West to close fiscal 1988 with 269 stores. The chain will boost store count by more than 40 units this year, Antonini said.

Last year, Pay Less shifted its merchandising strategy, eliminating many promotional and food items to boost profits and turns and cut inventory investment. In K mart's most recent annual report, Antonini called Pay Less a well-operated, profitable company "with excellent growth prospects."

Activity was heavy on other retail fronts last year, as well. K mart launched four new specialty retail operations in 1988, including its first American Fare hypermarket outside Atlanta; its new Office Square and Sports Giant office supply and warehouse sporting goods businesses; and a joint warehouse club venture called Makro.

Revco's events weekend a hit

Continued from page 1

Cleveland Convention Center downtown—a crowd far larger than the 70,000 to 80,000 expected for the free, two-day event. The crowds were treated to product displays, sample giveaways and demonstrations by more than 150 exhibitors, as well as health screenings, entertainment, prize drawings and celebrity appearances.

Among the Expo's offerings were free cholesterol, blood pressure, body-fat and heart disease tests by the city's MetroHealth Medical Center; free oral health screenings by the Cleveland Dental Society; fashion shows and hair styling demonstrations; and the Safety Town course in auto safety for preschoolers. Exhibitors included Alberto-Culver, Chesebrough-Pond's, Clairol, Johnson & Johnson, Max Factor, Procter & Gamble, Upjohn and Revlon.

The expo's celebrity list included Reggie Jackson, Lou Ferrigno, Super Bowl MVP Doug Williams and Olympian Jim Ryun. Nutritionist Dr. Earl Mindell and fitness star Denise Austin were also on hand.

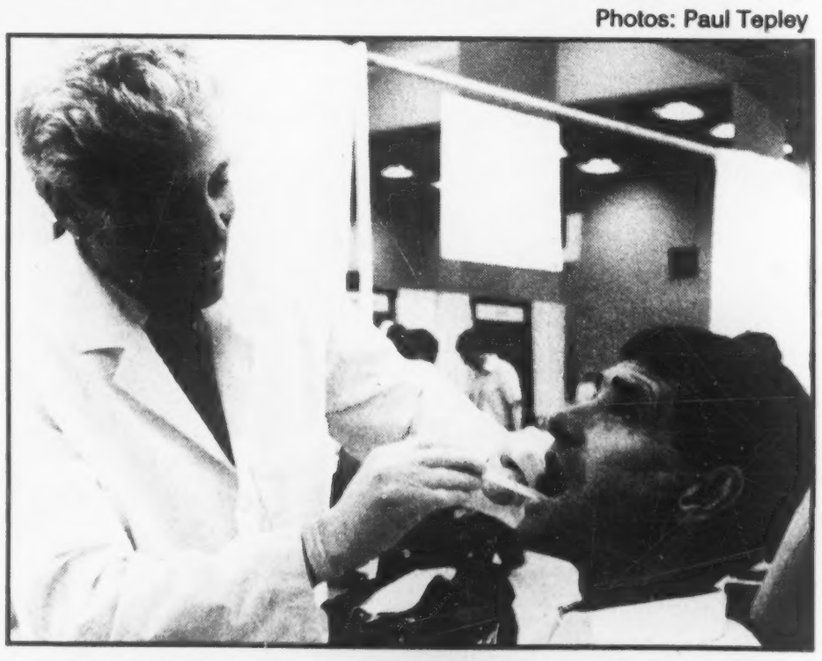
The expo was successful enough to have Revco officials talking excitedly about bringing it to other markets, possibly as early as this year. "We're considering taking this to other cities now, including possibly Charlotte, Atlanta, Dallas and Phoenix," said spokesperson Kathy Obert. "It was a huge success."

This year's marathon and 10K race drew some 15,000 runners from at least 40 states and 10 foreign countries. Among the competitors were some two-dozen world-class runners and, for the first time, the Russian National Marathon Team.

A total of $155,000 in prize money went to winners of the foot and bicycle races. Co-sponsors of the race events included American Greetings, Fields of Nature Vitamins, Clairol, Coca-Cola and Eastman Kodak.

Revco's initial Beauty Expo drew thousands of consumers who learned beauty care tips and received free samples.

Photos: Paul Tepley



Former Olympic runner Jim Ryun gets dental screening from Mike Gallagher of Cleveland Dental Society during weekend of health and beauty events.

OPINION

Giant fulfills its, and society's, needs

IN THE MARKET
BRUCE BUCKLEY

The letter to Ann Landers, the advice columnist, was touching. It came from a mother in Maryland. The mother told how difficult it was for learning-disabled youngsters like her son Ben, who has Down's syndrome, to get job training. After graduation from school, she said, young people can wait three to seven years to be placed in a program. "Mentally retarded adults are not a priority in this state, or anywhere else," she wrote in her letter.

In Ben's case, however, the mother's determined job search, plus the enlightened hiring policies of Giant Foods, the Landover, Md.-based combination store operator, resulted in a happy ending. A Giant store manager named Barbara Daugherty heard about Ben's plight from his mother. She said her store had some openings for which the young man might qualify.

That was several months ago. Today, following some intensive on-the-job training, Ben is helping to pack groceries in customers' cars and is taking care of shopping carts. Customers have responded with enthusiasm to his friendliness and care. The extra time that it might take him to carry out and load groceries hasn't been a problem at all.

"We had some early concerns about customer reactions when we first started hiring impaired kids about two years ago," says Winston doCarmo, Giant's vp-personnel. It turns out they needn't have worried. DoCarmo says there hasn't been a single complaint about any of the several hundred impaired youngsters hired to work at Giant in the past two years.

On the contrary, Giant has received dozens of letters complimenting the work of one young person or another, and Giant for its hiring policies.

But it's not just the public relations value that has sparked Giant's enthusiasm for hiring these often severely-impaired young people. Winston doCarmo points out that they help fill a critical need for steady, reliable workers in entry level positions. Jobs are not created for them simply out of a desire to do good. The jobs exist, and might go begging if these youngsters were not available.

Like many areas, Washington D.C. has a severe shortage of entry-level workers. Giant often hires students to fill its part-time slots for baggers and clerks, but turnover is a problem. With physically and mentally impaired young people, turnover is minimal.

The key to a successful hire is close, one-on-one supervision from a coach, who learns the job and then works with the candidate for three or four weeks until the job is memorized.

The key to a successful hire is close, one-on-one supervision from a coach, who learns the job and then works with the candidate for three or four weeks until the job is memorized. The coaching role must be filled by a training supervisor from the outside, says doCarmo. Store managers are just too busy to undertake such a time-consuming job.

What doCarmo finds "neat" about all this is that Giant hasn't created any formal program to hire the handicapped. It just happens informally throughout the chain's 147 stores in the Washington, D.C. area. On the other hand, doCarmo wouldn't mind seeing the state create a central registry where Giant and other companies could go to fill their needs at the entry level. Giant is involved in a committee set up by Governor Schaefer of Maryland to examine ways to improve the hiring of handicapped workers, and one of the things that might come out of it is just such a central registry.

What I think is "neat" about Giant's efforts is that the chain has managed to fulfill a societal need without compromising its competitive position. Retailers who haven't considered this possibility might take note.

Retailers say it's a small world after all

THE HUMAN SIDE
AL HELLER

Fast-food marketers recognized long ago the influence of children on where families decide to eat. They may not spend the bucks, but they register a loud voice in determining who gets the business.

Are similar dynamics at work in drug store selection? Or is this too far-fetched a concept because, after all, drug stores are *serious* places to shop for health care merchandise?

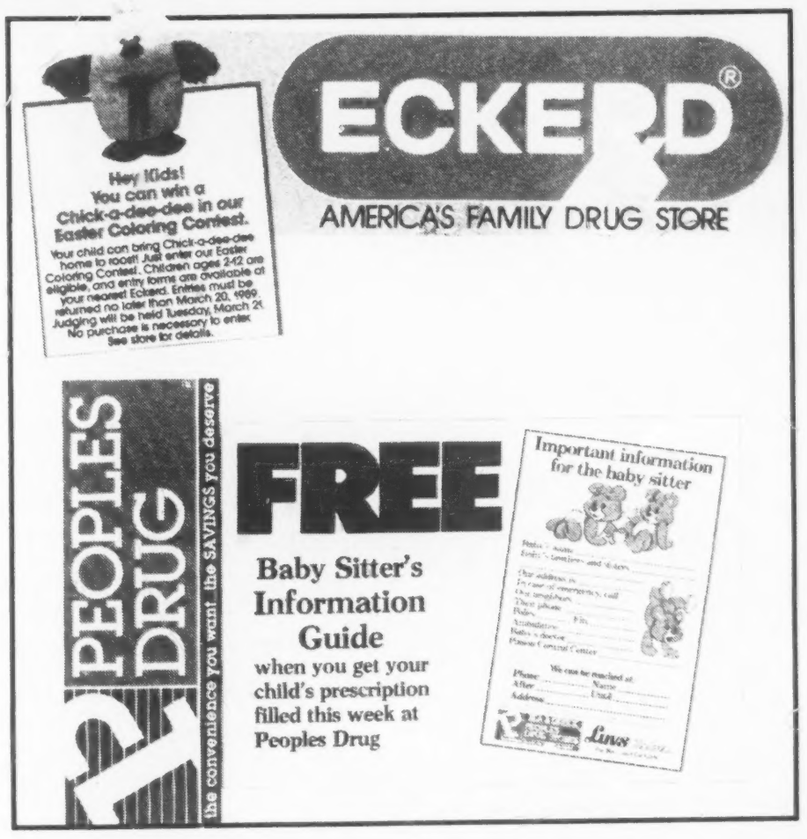
Obviously, youngsters are not a prime target audience for drug stores. But their parents are. They're among the most productive customers, shopping more departments more often for their entire families' needs.

Drug chains have already started to segment their consumer markets, with senior citizens' prescription discounts, service cosmetics bullpens, diabetic supplies, home office supplies, and the like.

To attract young families, drug chain marketers must make their stores inviting—not only with competitive prices on in-demand products, but with targeted promotions and special courtesies.

Some examples from a random sampling of drug store operators:

- Happy Harry's in Delaware cooperates with a McDonald's franchisee to bring the characters Ronald McDonald and Mac Tonite to new store openings. The events attract families in large numbers, who are also given hamburger coupons as part of the dual promotion.
- Sedano's in Miami buys mailing lists and sends flyers, which are almost totally devoted to baby needs, to young families in the area. New parents can get their first prescription for their babies free, up to a $10 value.
- Peoples Drug induces young mothers to join its Baby Club so they qualify for 10 percent-off children's prescriptions and private label baby products. They also receive a wallet of cents-off coupons and, during certain promotional periods, free babysitter's information guides.
- At Carls, in upstate New York, registered toddlers and senior citizens get 10 percent-off all prescriptions and most store brand items everyday.
- Eckerd offered free stuffed animals in a children's coloring contest this past Easter.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when you get your child's prescription filled this week at Peoples Drug
Important information for the baby sitter

The old standbys, free lollipops and balloons, evoke loyalty in youngsters. More important, efforts cited here show parents that some drug store retailers are willing to court their business. That pays off in far more than altruistic terms, when one considers the wide range of product needs in full households.

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TRENDS

Drug retailers pull out all the stops in $2 billion videocassette tug of war

VCRs are now found in nearly two-thirds of all American households—anywhere from 61 percent to 66 percent of U.S. homes, depending on whose figures you accept—and electronics industry experts are debating on just when manufacturers will hit the saturation point for VCR penetration.

The home video revolution swept the U.S. with breathtaking speed in the 1980s, giving rise to what quickly became a major, $2 billion industry in blank videocassettes. Since 1986, however, annual VCR sales have declined slightly as the market matures.

"Obviously the industry is working in large measure on a replacement market (for VCRs) now," said Tom Lauterback, spokesman for the Electronic Industries Association. "I certainly think we'll go beyond a 70-percent saturation level for VCRs in U.S. homes, but I think the 90-percent level that some people are predicting for the industry is going to be hard to come by."

Blank videocassette sales share by trade class in 1988*

Trade class	Share of total market
Discount/department stores	31%
HI FI/stereo outlets	17
Drug stores	13
Supermarkets	12
Video specialty	11
Catalog showrooms	4
Household appliance stores	3
Others	9
Total	100

*Percentages are rounded

Source: Independent industry sales data provided by 3M.

But as VCR sales mature, the market for camcorders is taking off. That factor may help spur tape sales.

One thing is already apparent: the slowdown in new VCR sales is putting the brakes on the runaway growth of the blank videocassette market.

Blank videotape sales, which three years ago were booming ahead at a growth clip of 30 percent a year, are now making more modest gains in the single digits.

Blank videotape purchases for households with VCRs and video cameras*

Average number of tape purchases	For VCR use	For video camera use
None	8.0%	5.7%
1-2	13.7	18.0
3-5	23 8	41.2
6-10	29.5	23.7
More than 10	25.0	11.4

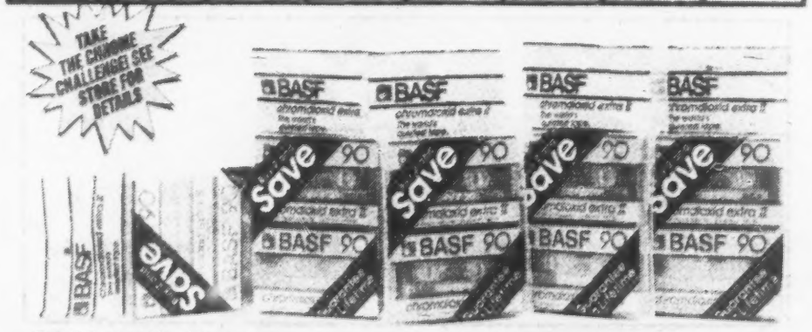
*Based on a survey of households with VCRs and video cameras, for a recent 12-month period.

Source: Photo Marketing Association 1988 consumer survey.

The Electronics Industries Association projects a 4.3-percent gain in tape sales in 1989, to 310 million units; 3M, the leading manufacturer, expects sales to rise a slightly more healthy 5.6

Continued on page 65

Major chains promote name brands of audio, videotapes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Video
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Major drug chains devote frequent advertising space to top brands of blank video and audio tapes, satisfying home entertainment needs and generating replenishment business.

Blank videotapes

TRENDS

Videotapes promotion-driven, say most drug chain retailers

Chain drug merchandisers are generally satisfied with the turns and margins they're getting from blank videotapes, but stiff price competition in most parts of the country has forced them to promote the category aggressively to hold market share.

"This is a price-sensitive market," said Ken Fossaceca, general merchandise buyer for Cleveland's Medic Discount Drug. "The cost has been somewhat stable for a while, but if the consumer sees a price on tape she doesn't like, she'll go elsewhere."

Medic has achieved a 15-percent growth rate through aggressive promotion and up-front merchandising, right at the checkstands, Fossaceca said. The chain recently began warehousing its videotapes to keep up with demand.

One of the most aggressive tape marketers has been Seattle's Bartell Drug Co. The chain runs a promotional price on at least one major brand of videotape "usually three out of every four weeks," said sundries buyer Paul Loughren. The result: customers can usually find at least one major brand on sale at Bartell for a promotional price of $3.49.

Occasionally, Bartell drops the price as low as $2.99.

Even so, said Loughren, margins for blank videotape are in the 20-percent range. Sales, he added, have been "steady and consistent."

"We seem to have our own little niche now in this market, since some of the other chains here have backed off a little over the past year in their promoting of tapes," he said.

Another aggressive videotape promoter is Virginia's Standard Drug Co. The chain has achieved a strong, 30-percent growth rate this year with tapes on a small base through aggressive advertising and discounting, said merchandise manager Chris Hayman.

"We feature them at $3.99 and under, and we try to promote them often," he said. "The growth we've gotten has resulted from us taking a concerted effort to promote heavily; we've driven sales."

Even on promotion, he said, tape margins are respectable. "There's some pressure with the competition, and the price has come down, but videotapes are still an item we can feature and make 25 percent on."

Rite Aid, on the other hand, promotes its videotapes only occasionally in circulars, said spokesperson Amy Lilly. Nevertheless, she said, the category is "very important for us.

"We've found in recent months that the video industry is plateauing, but tapes are a strong business for us," Lilly said.

Rite Aid carries videotapes both on an in-line section with audiotapes, and on promotional floorstands when the occasion warrants. The chain usually offers at least five brands, including one low-end promotionally priced brand, on an everyday basis.

Some chains generally avoid a low-end tape brand. "The quality of product has to be there or you risk losing a customer," said Medic's Fossaceca. "We bring in a knockoff brand only for a promotion."

"We've stayed away from the low-end," agreed Standard's Hayman. "I think customers want better quality now, and they're not as willing to trade down. The low-end tapes we've seen just aren't satisfactory."

Drug chains pull out the stops in $2B videotape tug-of-war

Continued from page 63

percent this year, to 322 million units.

Either way, the blank videotape industry has matured into a high-stakes battle for market share. And with unit sales projected to rise by just 3 percent a year by 1992, the competition is sure to get hotter.

Chains holding their own

Drug chains are holding their own in the market share tug-of-war, with about 13 percent of total sales, according to 3M Corp. This represents a slight rise from the previous year's share, according to industry estimates provided by the company, and it can be attributed to aggressive promotion and the well-publicized fact that women now account for half of all blank videotape sales.

But supermarkets are close behind with 12 percent of the market. Food stores are scoring rapid gains in videotape sales with their aggressive promotional and merchandising programs aimed at women, who shop their stores an average of three times a week.

Last year, supermarket sales of videotapes shot up 28 percent, according to the Food Marketing Institute.

A shifting market: Blank videotape purchases for VCR use, by brand

Brand	Year 1985	1988
Scotch/3M	29.1%	22.0%
Maxell	10.1	14.5
Kodak	3.9	12.8
TDK	11.2	10.9
Memorex	7.3	8.5
Polaroid	3.3	7.2
Sony	12.8	6.6
Fuji	4.5	3.9
Panasonic	5.0	1.3
All others	12.8	12.3

Source: 1988 survey of household video equipment use by Photo Marketing Association.

Sales of home video products: VCRs and tapes mature but camcorders take off

Item	Sales (in millions of units) 1987	1988	1989 (projected)
Blank tapes	273.8	296.9	310.0
Home VCRs	12.8	12.6	N/A
Camcorders	1.6	2.0	2.5

Source: Electronic Industries Association

NASM meeting in Reno

CHICAGO — The National Asssociation of Service Merchandising (NASM) will hold its all-industry annual convention October 27 through November 2 at Bally's Casino Resort in Reno, Nev.

Eighteen new distributor companies and 26 new manufacturer companies have joined NASM since the beginning of the year. This year's convention will utilize a more productive format. H&BA business exclusively will be conducted between October 28 through October 30. Then, general merchandise business will convene October 30 and continue through November 2. Over 300 manufacturer companies and 80 distributor companies will attend.

For more information, please contact NASM at 118 S. Clinton St., Suite 300, Chicago, Ill. 60606; (312) 876-9494.

POPAI's 43rd trade show set for this October in NYC

NEW YORK — The Point-of-Purchase Advertising Institute's (POPAI) 43rd annual trade show exhibit, Marketplace '89, will be held Oct. 31 through Nov. 2 at the Jacob Javits Convention Center.

More than 7,000 POP marketers will participate in the show, which is expected to feature 350 booths. Highlights of the show include a state of the industry press conference, the Outstanding Merchandising Award program, and marketing research seminars.

For more information, contact POPAI at (201) 894-8899; 66 N. Van Brunt St., Englewood, N.J. 07631.

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FINANCIAL

Fay's shareholders get 10% stock dividend

LIVERPOOL, N.Y.— Fay's board of directors has endorsed a 10-percent stock dividend and a 5 cents per share quarterly dividend, chairman Henry Panasci, Jr. told shareholders at the annual meeting here May 23.

The stock dividend on Fay's common shares will be distributed July 3, and the regular quarterly dividend—payable July 14—was a 10-percent boost to the cash dividend paid per share for shares held as of June 15.

In reviewing the past year, Panasci pointed out that significant new directions were taken, resulting in the company's most successful year. While net earnings reached an all-time high of $10 million, earnings per share of 73 cents were 28 percent higher than Fay's has ever achieved and almost three times the per-share earnings of the 1987 year.

The year included a reorganization of top management that underlined the company's commitment to its three-pronged retail strategy in drug stores, office supplies, and auto parts.

"During the past year, Fay's senior management devoted itself to the creation of a strategic plan and implementation of a management structure that would provide the direction needed to sustain and build upon acheivements of the last two years," Panasci said.

"This involved taking a hard look at such things as the strengths and weaknesses of our business and that of our competition; the nature and character of our markets; and, maybe most importantly, taking a hard look at ourselves, as individuals, and how we function as a management team," Panasci added.

Fay's five-year plan calls for as many as 280 super drug stores, 120 Wheels Discount Auto supply stores and as many as 90 Paper Cutter stores by 1994, when the $1 billion revenue goal will be achieved, Pansaci said.

The shareholders endorsed a board of directors' recommendation to change Fay's name to Fay's, Inc., which the board felt better reflected the company's diverse businesses than the former name of Fay's Drug Co., Inc.

New systems are planned to improve drug stores' profitability, which gained substantially last year with the help of a 17.5-percent increase in same-store prescription sales. POS checkout systems will be installed in 69 drug stores.

Also last month, Fay's posted its twelfth consecutive quarter of improved sales and earnings for the first quarter ended April 30.

While first-quarter sales grew 7 percent to $131.1 million, net earnings climbed 48 percent to $1.34 million, or 10 cents per share.

Gross margin improvement and cost controls helped earnings, as did a 10.3-percent increase in same-store sales.

Longs posts increases in 1st-qtr. sales and net, hikes quarterly dividend

WALNUT CREEK, Calif. — Longs Drug Stores posted a 10-percent increase in sales and a 9-percent rise in net income for the first quarter, Robert Long, president, announced at the chain's annual meeting.

Also at the meeting, shareholders re-elected five incumbent directors and approved an amendment to the Long-Term Incentive Plan of 1987.

Following the annual meeting, Longs' board of directors voted a 9-percent increase in the quarterly dividend and re-elected the company's principal officers.

Unaudited sales for the first quarter ended April 27 were $492.8 million, compared with last year's $450.0 million. Unaudited net income was $14.4 million, or 71 cents per share, versus $13.3 million, or 65 cents per share, for the comparable period last year.

The 9-percent increase in the quarterly dividend, from 22 cents to 24 cents, marks the 26th consecutive year that Longs has increased its dividend, the company said.

Longs operates 237 stores in California, Hawaii, Alaska, Arizona, Nevada and Colorado, with 11 additional units under construction and several other stores in various stages of planning.

Wal-Mart reports net, sales hikes for first quarter ended April 30

BENTONVILLE, Ark. — Wal-Mart posted a 29-percent boost in net income and a 25-percent increase in sales for the first quarter ended April 30.

Net income rose to $198.3 million, on sales of $5.4 billion, compared with net income of $153.5 million and sales of $4.3 billion for last year's first quarter. Net income per share increased to 35 cents from 27 cents per share in the like period last year.

For the month of April, net retail sales were $1.98 billion, a 25 percent gain over the $1.58 billion reported for the same period a year ago.

As of April 30, the company operated 1,279 Wal-Mart stores, 106 Sam's Wholesale clubs, 14 Dot Discount Drug stores and three Hypermart*USA stores, two of which are operated in joint ventures with Cullum Companies.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 05/12/89 - 05/26/89												
					Change		52-Week		Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change		Latest P/E Ratio	Indicated Dvd. Rate	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low		Amt.	Pct.		Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	63.50	60.13	63.00	2.38	3.92	65.00	47.63	2.54	-1.65 f	-39.4	24.8	1.00	1.6
Arbor Drugs	ARBR	24.25	23.50	23.50	-1.00	-4.08	24.75	11.25	1.05	.32 s	35.2	19.1	.16	.7
Big B	BIGB	11.50	10.88	11.38	-.13	-1.09	15.88	10.75	.91	-.03 f	-3.2	12.5	.16	1.4
Fay's Drug	FAY	13.13	11.50	12.88	1.13	9.57	13.13	8.00	.73	.31 q	67.4	16.7	.20	1.6
Genovese Drug	GDX	12.75	12.00	12.25	-.50	-3.92	12.88	8.75	.83	.20 f	31.7	14.8	.22	1.8
Longs Drg Strs	LDG	38.75	36.25	38.75	1.75	4.73	38.75	33.63	2.75	.35 q	14.2	13.8	.96	2.5
Medicare Glaser	MGCO	5.75	5.75	5.75	.00	.00	5.88	1.88	-.10	-.23 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	29.00	28.25	29.00	-.25	-.85	29.50	20.75	1.11	.30 s	31.6	23.2	.10	.3
Perry Drug	PDS	11.38	10.50	10.88	.13	1.16	13.50	5.25	-3.15	.17 q	NE	NE	.00	.0
Rite Aid Corp	RAD	35.75	33.75	35.38	1.25	3.66	39.00	29.13	2.30	-1.11 f	-32.6	15.4	.82	2.3
Walgreen Co	WAG	40.75	38.88	39.50	.00	.00	40.75	27.13	2.10	.43 s	22.4	16.8	.68	1.7
Wholesaler's transactions														
Alco Hlth	AAHS	25.25	24.00	25.25	1.00	4.12	30.25	21.25	1.55	-.11 q	-7.4	18.3	.06	.2
Bergen Bruns	BBCA	29.50	28.25	29.25	.63	2.18	30.25	18.75	1.78	.89 s	67.9	13.3	.32	1.1
Bindley Wstn	BIND	8.50	8.00	8.00	-.25	-3.03	10.00	6.63	.58	.22 q	68.8	14.8	.00	.0
Cardinal Distrb	CDIC	21.50	20.25	20.25	-2.00	-8.99	22.25	12.84	2.37	1.16 f	95.9	8.5	.08	.4
Durr Fillauer	DUFM	21.25	20.88	21.25	.00	.00	21.50	11.88	.92	.09 q	9.7	20.8	.24	1.1
Ketchum -	KCH	5.75	5.25	5.25	-.63	-10.64	10.38	4.75	-4.73	-1.44 q	NE	NE	.00	.0
McKesson Cp	MCK	33.50	32.25	32.63	-.50	-1.51	35.88	29.63	2.30	.07 f	3.1	14.2	1.44	4.4
Moore Med	MMD	13.00	12.63	12.88	-.13	-.96	15.63	9.00	-2.17	-4.00 q	-100.0	NE	.00	.0
Owens Minor	OMI	12.75	11.38	12.00	-.25	-2.04	15.88	11.38	1.00	-.07 q	-7.4	13.6	.26	2.2
Manufacturer's transactions														
Abbott Labs	ABT	60.88	57.75	58.75	.75	1.29	60.88	43.50	3.33	.53 q	18.2	17.0	1.40	2.4
Am Home Prod	AHP	96.63	93.00	93.88	.75	.81	96.63	70.88	6.38	.66 q	11.2	14.3	3.90	4.2
Baxter Intl	BAX	21.88	20.00	21.75	1.50	7.41	22.50	16.25	1.31	.15 q	12.6	16.2	.56	2.6
Block Drugs Co	BLOCA	35.25	33.50	35.25	1.00	2.92	35.50	26.75	2.29	.31 n	14.2	14.1	.64	1.8
Bolar Pharm	BLR	28.75	25.63	28.00	1.88	7.18	28.75	16.38	1.51	.45 q	41.3	18.2	.04	.1
Bristol-Myers	BMY	51.25	49.13	50.38	.00	.00	51.25	39.00	2.88	.38 q	14.7	17.0	2.00	4.0
Carter-Wallace	CAR	45.50	41.88	45.13	3.25	7.76	45.50	33.13	2.97	.47 f	18.8	15.2	.68	1.5
Forest Labs	FRX	32.38	29.25	31.38	.38	1.21	32.38	19.25	1.20	.24 f	25.0	26.1	.00	.0
ICN Pharm	ICN	6.63	6.25	6.63	.25	3.92	7.75	5.63	.23	1.82 q	NE	51.0	.00	.0
Lee Pharm	LPH	4.63	4.00	4.13	-.13	-2.94	7.13	3.75	-.23	.49 s	NE	NE	.00	.0
Leiner P Nutri	PLI	17.63	17.00	17.63	.13	.71	18.00	9.13	.86	.10 n	10.9	17.3	.00	.0
Lilly Eli Co	LLY	58.50	54.75	55.88	-1.25	-2.19	58.50	39.19	2.67	.53 q	22.8	19.6	1.35	2.4
Marion Labs	MKC	28.25	26.38	27.38	.88	3.30	28.25	15.25	.96	.39 n	44.3	21.6	.36	1.3
Merck & Co	MRK	72.88	67.75	70.50	.13	.18	72.88	51.25	3.05	.80 q	33.1	21.9	1.64	2.3
Morton Thiokol	MTI	47.63	45.75	46.38	.50	1.09	50.00	35.63	3.33	-.82 n	-24.8	18.7	.92	2.0
Mylan Labs	MYL	10.00	8.88	10.00	1.00	11.11	13.25	7.50	.50	-.20 f	-28.6	20.0	.10	1.0
Newport Pharm	NWPH	6.50	5.81	6.19	.06	1.02	6.56	1.75	-.45	-.42 q	NC	NE	.00	.0
Par Pharm	PRX	11.00	9.50	10.63	.75	7.59	18.50	7.88	.99	-.12 q	-11.3	11.3	.04	.4
Pfizer Inc	PFE	64.25	60.25	61.25	-3.00	-4.67	64.25	49.63	4.70	.56 q	13.1	12.7	2.20	3.6
Robins, AH	QRAH	27.88	27.13	27.13	.00	.00	28.38	21.88	2.42	67.78 q	NE	10.8	.00	.0
Rorer Group	ROR	42.00	37.38	41.25	1.38	3.45	48.25	32.00	1.96	-.55 q	-21.6	20.6	.80	1.9
Scherer RP Cp	SCHC	30.13	30.00	30.00	.00	.00	33.38	19.25	.76	-.28 f	-26.9	39.5	.40	1.3
Scher Plough	SGP	68.50	65.50	67.38	.88	1.32	68.63	49.50	3.48	.77 q	26.4	18.3	1.80	2.7
Squibb Corp	SQB	83.50	77.63	81.13	.25	.31	83.50	60.00	4.30	.85 q	23.3	18.0	2.00	2.5
Syntex Corp	SYN	48.75	43.88	47.75	1.25	2.69	48.75	35.00	2.51	.42 s	18.2	17.5	1.50	3.1
Upjohn Co	UPJ	33.50	31.00	32.00	.00	.00	34.50	27.00	1.90	.24 q	14.0	16.4	.88	2.8
Warner-Lambrt	WLA	92.75	87.00	89.75	-.50	-.55	92.75	63.50	5.00	.92 q	21.1	17.0	2.56	2.9
Zenith Labs	ZEN	1.75	1.50	1.50	-.13	-7.69	2.75	1.00	-.56	-.49 n	NE	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	46.88	44.75	45.63	.75	1.67	46.88	30.00	2.44	.56 f	29.8	18.7	.80	1.8
K mart Cp	KM	39.50	37.50	37.88	-.63	-1.62	40.38	31.25	4.00	.44 q	12.8	9.8	1.64	4.3
Melville Cp	MES	45.00	42.38	44.63	2.25	5.31	45.00	31.00	1.63	-1.12 q	-40.6	27.2	1.30	2.9
Penney, JC	JCP	60.13	58.00	59.00	.25	.43	60.13	44.50	6.02	1.87 q	45.0	9.8	2.24	3.8

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

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Special Marketplace issue exclusives: Gallup on beauty; DrSN general merchandise survey

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Inside the '89 Marketplace Issue

Exclusive

Drug Store News/ Gallup Study of Cosmetics & Fragrances: Where Women Shop and What They Buy

Pages 51–72

Performance

The Money of Color

1989 Drug Store Cosmetic/Fragrance Sales Trends

Source: Nielsen Marketing Research, for 12 months ending 5/31/89

More 1989 Sales Trends Starting on Page 30

Upscale strategies create cosmetics opportunities

This year, drug chains that are upscaling cosmetics presentations report growth increases as high as 15 to 20 percent. Their approaches take many forms, including department store-style fixturing, more advertising, better trained sales clerks and more cosmeticians, and higher taste levels in assortments.

These operators clearly understand the fashion spin of the cosmetics-fragrance business, and are setting some inspired examples for the rest of the retail drug field to follow. Thus, it's not surprising that consumers have purchased $1.8 billion worth of cosmetics and fragrances at drug chains last year, with all

Continued on page 25

NEWS IN BRIEF

American cooperating with SEC probe

SALT LAKE CITY — American Stores said it has "fully cooperated" with an investigation by the Securities and Exchange Commission (SEC) into an alleged insider trading scheme involving a former employee. The SEC has charged that David Hellberg, a former financial specialist with American's Alpha Beta division, shared information on the pending takeover of Lucky Stores with his father, who made a large profit in Lucky stock options after the takeover was announced.

"American Stores has fully cooperated with the SEC investigation and has no reason to believe that the commission is investigating any other employee," said company spokesman Troy D'Ambrosio in a statement.

Hellberg resigned May 31, 1988, the company reported.

Happy Harry's opening Del. store

NEWARK, Del. — Happy Harry's will open a new store in Bar, Del., president Alan Levin told *Drug Store News*. The proposed 8,550-square-foot prototype scheduled to open at the end of this month will increase the chain's roster to 22, which includes one home health care center.

Lincoln bows store in Westboro, Mass.

MILFORD, Mass. — Lincoln Discount Drugs, a family-owned deep discount chain, recently opened its fifth store, located in a Caldor shopping center in Westboro. A 12-page circular including coupons for free items helped publicize the opening.

In addition to selling all greeting cards, sunglasses, wallets and picture frames at half price every day, the chain sets itself apart from competition by redeeming empty soda cans and bottles for double the normal deposit and accepting dead batteries and light bulbs, empty pens and old magazines as trade-ins toward purchase of new ones. It also accepts most manufacturers' cents-off coupons for double face value and offers on-line lottery tickets, as well as a free second chance drawing for losing tickets.

This is Lincoln's second store in Westboro. It also has stores in Clinton, Fitchburg and Milford.

Revco boosts Rx systems management

TWINSBURG, Ohio — Revco D.S. has named Simon Eisenberg, 54, to the new post of director of pharmacy systems, reporting to vp-professional operations James Rotsart. Eisenberg, who last served as director of third-party marketing, will head up the coordination, training and implementation of Revco's chainwide conversion to its new interactive pharmacy computer system.

"Si's solid experience in so many aspects of pharmacy will help Revco as we implement and work with our new system," said Rotsart. "He has proven his ability to integrate the work of various pharmacy departments."

Eisenberg recently chaired Revco's Pharmacy Task Force, which was charged with reviewing all phases of Rx operations and recommendating changes. Prior to joining Revco last year, he served for 20 years with Walgreen Co.

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Revco D.S. is in stable condition for fall, holiday seasons: execs

By James Frederick

TWINSBURG, Ohio — Revco D.S. is heading toward the crucial fall and end-of-year selling seasons in far better condition than it was last year, according to statements by Revco officials.

Months of negotiations between Revco executives and vendors, and a slowly improving sales and earnings picture, have helped restore Revco's credibility and the cautious support of its suppliers.

In sharp contrast to the events of last year, when the company's fiscal crisis led to bankruptcy and a severe supply cutoff from unpaid vendors, prospects for the second half appear considerably brighter for the financially troubled chain.

"We have received normal back-to-school dating from our suppliers, and have received commitments for Christmas dating from all of our Christmas suppliers," noted Jim Adamson, executive vp-marketing, in a letter to vendors last month.

Adamson also wrote that comparable store sales for the most recent three-month period were well above year-ago levels. Revco's fiscal year ended June 3.

In a recent letter to Revco employees, company chairman and chief executive Boake Sells added that "business is good and getting better," with "sales, inventories and margins all improving."

Work out plan

Revco still must work out a debt payment plan its creditors will accept before it can emerge from bankruptcy. Among those creditors are the many suppliers who were left with unpaid bills at the time of Revco's bankruptcy last July, as well as junk bond holders who saw the value of their bonds plummet after the company defaulted on its interest payments last summer.

In late May, the U.S. Bankruptcy Court in Akron, Ohio granted Revco another extension of the deadline within which it has the exclusive right to file a plan of reorganization. Revco now has until Oct. 31, 1989 to file its new financial plan, and until Jan. 29, 1990 to win approval of the plan by its creditors.

The court also granted the company the right to seek further extensions.

"Extending our period of exclusivity allows the Chapter 11 process to continue in an orderly fashion and continues to foster the cooperative efforts we have begun with the official and unofficial committees of creditors," said Revco cfo Greg Raven. "Moreover, it encourages a continuation of satisfactory terms with our trade suppliers."

In line with bankruptcy court requirements, Revco has already presented its creditors and lenders with a confidential five-year business plan. Raven said discussions would begin soon "to formulate as broad a consensual plan of reorganization as possible.

"It is Revco's sincere desire to emerge from Chapter 11 as quickly as possible as a healthy, competitive company and with a plan that is in the best interests of all parties in interest," he said.

A company spokesman said Revco's creditors' committees and lending banks had all supported its request for a plan deadline extension.

In another development, the deadline within which creditors could file a claim against Revco in bankruptcy court expired May 19.

San Antonio TV station will air Lexis' controversial contraceptive ad

By Harold Cohen R.Ph

SAN ANTONIO — San Antonio television viewers who tuned into CBS affiliate KENS-TV earlier this month almost got to see a little bit of advertising history being made when a commercial for Lexis Pharmaceuticals' N.E.E. 1/35™, its brand of norenthindrone and ethinyl estradiol oral contraceptive, was scheduled to air on the San Antonio affiliate.

But as soon as the media picked up on the story and began contacting the station for interviews on the controversial ads, the station backed down on its commitment to run the commercials. After being urged by Lexis to run the spot, the station reconsidered running the commercial, but at press time viewers still have not seen it.

When the commercial runs it will be the first time that an oral contraceptive requiring a prescription would be advertised on television. The thrust of the commercial compares the Lexis brand of oral contraceptive, which is mentioned by brand name, with two category market leaders, Ortho's Ortho-Novum® 1/35 and Syntex's Norinyl 1+35, also mentioned by their respective product names.

According to Al McConnell, vp of market development at Lexis, KENS-TV originally agreed to run the commercial despite a CBS network moratorium on prescription advertising that specifically mentions a product by name. He said the ad was also rejected by the other two major networks and by Fox Broadcasting.

If KENS-TV gets cold feet again and ultimately decides not to run the commercial, McConnell said the company is not very concerned, because following a recent *Wall Street Journal* article on the station's indecision to run the commercial, the company "has been flooded with requests to run the spot on other stations."

The 60-second spot (there is a 30-second commercial prepared as well) opens with Lexis Pharmaceutical's president, John Bryer, telling viewers, "I have good news for women using Ortho-Novum 1/35 or Norinyl 1+35."

Bryer goes on to compare the cost of the Lexis product with the two market leaders. " . . .it can cost you up to 50 percent less each month . . .that's as much as 90 dollars a year."

The commercial ends with a suggestion for women to contact their physician for more information, and a product shot with an 800 number for women to call the company for further information about the product.

McConnell said that once the commercial runs, the company will be bracing itself for "heavy consumer calling."

While the Lexis commercial is the first oral contraceptive spot to run on television, it is not the first prescription product to appear in a television commercial that is mentioned by its brand name.

McConnell told *Drug Store News* that according to FDA regulations on prescription drug advertising, a company can run a commercial mentioning a product by its brand name as long as no claims are made for the product.

On the other hand, if a company advertises claims for a prescription product, it is not permitted to mention its brand name without a full disclosure statement appearing as part of the ad. According to McConnell, the FDA's thumbs-up on the commercial came after "many months of its review."

DrSN hires asst. pharmacy editor

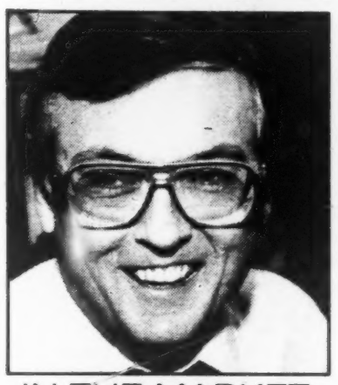
NEW YORK — Elizabeth Richardson has joined the *Drug Store News/Inside Pharmacy* staff as assistant pharmaceutical editor. She is a graduate of the University of Texas at Austin (UT), where she received a Bachelor of Journalism degree.

Before moving to New York, Richardson maintained her residence in Austin, Texas, where she worked for the Texas Pharmaceutical Association (TPA). Some of her duties included researching, writing, reporting and laying out TPA's journal, *Texas Pharmacy*. Her other experience includes an internship with *Family Circle* magazine and service as makeup editor of *The Daily Texan*, UT's school newspaper.

Richardson

OPINION

Marketplace just keeps on growing



IN THE MARKET
BRUCE BUCKLEY

From the beginning, the expansion strategy for the Marketplace Conference has been conservative. NACDS's idea: foster growth at a more moderate pace and avoid the "bends" that come from a too-rapid ascent to the top. Achieving this ideal, however, has been a little like trying to rein in a thoroughbred racehorse on Derby Day.

Take this year. NACDS had planned for a 10- to 15-percent expansion. In fact, the growth will be closer to 30 percent.

Attendance is up in every category. The number of chains will reach 85-plus this year, compared to 78 a year ago. Individual chain attendees will increase from 341 to approximately 430.

For associate member companies, the growth is even more impressive: 315 companies and approximately 1,300 individuals this year, vs. 201 companies and 885 attendees in 1988.

The wonder is that the show could have been even larger. Calls pour in every day from companies and individuals hoping that NACDS will be able to shoehorn them in. With hotels and exhibition floor space already filled to bursting, it's become virtually impossible to find the room.

Achieving moderate growth has been like trying to rein in a thoroughbred on Derby Day.

That's not a bad problem to have, as uncomfortable as it may be to have to say no. The flat-out success of this show has been partly the result of the attractiveness of the Marketplace concept itself, and partly the result of the association's sharp marketing.

This year NACDS used retail-like promotional incentives to boost the number of chain drug representatives in order to retain the ideal four-to-one ratio of associate to chain attendees. Chain companies sending multiple representatives were given a break on the cost of registering additional attendees. A two-for-one deal was worked out to lure drug chains who had never attended before: Send one rep, the second registers free. As a result, there will be 21 chain companies attending for the first time this year.

Is there a limit on how big this show can get? Of course. It will never achieve the huge size of the Food Marketing Institute's merchandise show. But next year's edition at the Loew's Anatole in Dallas promises to be larger, and the eventual saturation point seems a long way off.

In the meantime, Eeeyahh! On to Opryland!

* * *

Growth in the cosmetics-fragrances categories may not be all that retail drug store companies would like, but the increases achieved by chains that have upgraded their departments and made them easier and more comfortable to shop are mostly up in the double-digit range. That's perhaps the most important news from our special Marketplace coverage in this issue. The other is the key role that bright and enthusiastic people—both store-level individuals and supervisors—play in promoting sales growth.

Both statements would seem to be pretty obvious. Yet so many stores around the country apparently are willing to rely on tired cosmetics-fragrance presentations and unenthusiastic sales help to sell to customers who have been led to expect a lot more as a result of their daily exposure to glossy, exciting print and television advertising.

The marketplace keeps getting tougher, and those that fail to keep up, well, they'll still be complaining next year about the lack of exciting new product entries or the competition from the combo or discounter down the street.

Revco's pre-pricing frees store help

MIDWEST REPORT
JAMES FREDERICK

TWINSBURG, Ohio — Revco D.S. is trying to give its store employees more time for customers by pre-pricing split-case merchandise at its distribution centers, rather than having it price-stickered in the stores. The newer method, called pick-and-price, is now moving chainwide at about 100 stores per week after tests in Revco's Hope Hull, Ala., distribution center last September.

Now, "pre-priced orders arrive at the stores ready to be put on the shelves," said Victor Lee, head of distribution services for Revco. "Plus, products that are displayed on adjacent store shelves are packed and shipped in the same tote."

About 75 percent of store merchandise can be pre-priced at the warehouses, according to the chain. Excluded are Rx, full-case shipments and display counter items like candy and gum.

Revco moves about 4,500 pieces of OTC, promotional and seasonal split-case products to a typical store each week.

A&P begins converting its Michigan stores

DETROIT — Knowing a good retail name when it sees (or buys) one, The Great Atlantic & Pacific Tea Co. has begun the long process of merging its Michigan operations into those of its former rival, Farmer Jack's. The A&P logos have already come down on two Detroit-area stores as the supermarket giant converts to the Farmer Jack's logo and format in this market.

A&P bought Farmer Jack's parent company, Borman's, early this year after competing with the local chain for years. The buyout touched off fears of higher prices in southeastern Michigan, where Farmer Jack's has always been the low-price leader. It remains unclear just how much A&P will cling to Borman's low-price strategy once the two operations are fully merged.

"Paul Borman was always sort of Kamikaze the way he lowered prices," said Steven DiMaggio, an investment analyst with Roney & Co. in Detroit. "He would just charge in and drop prices drastically to get market share, but I think (A&P chairman) Jim Wood understands that everybody has to make money to stay in this market."

'Plus, products that are displayed on adjacent store shelves are packed and shipped in the same tote.'

One thing that is clear is that A&P will maintain Farmer Jack's aggressive commitment to pharmacies and combo retailing. Prior to the merger, A&P was never a factor in the Detroit area's drug store market. Farmer Jack's, on the other hand, operates 34 pharmacies in its 79 stores.

A source at Farmer Jack's told me A&P was already preparing pharmacies in "at least two" of its own stores following the merger. "I'm sure A&P is going to expand our pharmacy operations," the source added.

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SPECIAL SAMI REPORT

To detect long-term trends, 5-year figures vital

Because SAMI hasn't tracked health and beauty aids volume in drug stores over an extended period, we'll use food store figures to detect long-term trends. Comparisons of retail dollar sales over a five-year span often turn up results that are quite different from results generated over a year's time, or 12 weeks or 28 days.

For example, five-year Arbitron/SAMI figures show food store sales of home permanent kits declined 20.1 percent from 1984 to 1988. Moreover, in the year ended April 21, 1989, sales of home permanents were 6 percent lower than in the corresponding year-earlier period.

However, on a 12-week basis,the pace of home permanent sales was ahead by 2 percent, and for the most recent four weeks, new product activity sparked a 6.6 percent increase.

Another important fact to be considered by manufacturers and retailers is how sales trends can vary between overall product categories and more specific product classes.

In the internal analgesics category, for instance, retail dollar sales in food stores increased 34.7 percent over five years. But within the analgesic category, the ibuprofen product class, led by Advil, simply caught fire, gaining 731 percent.

PRODUCT TRACKING
ALAN MILLER

In contrast, children's aspirin brands fell 38.4 percent in food stores in five years, and arthritic specialty analgesic sales were down 9.5 percent. However, in 1988, sales of arthritic remedies had recovered 21.7 percent from the 1986 level.

There are other examples:

- Baby powder sales fell 7.7 percent during the five-year period, while baby powder products containing corn starch enjoyed an advance of 25.4 percent.

In the baby oils, creams and lotions category, overall sales were up 11.1 percent in five years.

In breaking down the category, wide differences in sales trends become apparent. Baby lotions were ahead by 31.5 percent, while sales of petroleum jelly faded by 2.2 percent.

- In the deodorant spray category, sales were down 7.7 percent from 1984 to 1988, as consumer preferences shifted to sticks. Anti-perspirant aerosol sprays were up 9.2 percent during that period, in sharp comparison to body sprays, which dropped 64.2 percent in sales.
- First aid products gained 9.5 percent from 1984 to 1988, with product class volume gains ranging from 25.8 percent for gauze and gauze pads to 6.8 percent for cotton swabs.
- As a result of fewer important new product introductions in recent years, shampoo sales dropped 1.6 percent from 1984 to 1988, but there have been major changes in the product mix during the same interval.

Sales of balsam and protein shampoos rose 95.4 percent, while special-purpose shampoos gained 44 percent. In contrast, sales of conditioning shampoos dropped 36.7 percent.

- Hair sprays recorded a five-year increase of 45.8 percent, with the highest gains credited to super hard-to-hold aerosols (up 88.3 percent) and hard-to-hold pumps (+247.4 percent).
- The five-year gain in the toothpaste and powder category was a modest 9 percent, but toothpaste pumps advanced 340.6 percent and tooth gel pumps were up 212 percent.

However, in the 12 weeks ended April 21, 1989, food store dollar sales of pumps trailed the year-earlier period by 15.7 percent, while pump gels were running 16.6 percent behind last year's comparable 12 weeks.

A different story

- Food store sales of antacids were 34.1 percent ahead on a five-year basis. Effervescent items, however, were up only 1.4 percent over that period compared to chewable items, which grew by 49.7 percent.
- Sales in the nasal spray-drops-inhalers category rose by 14.7 percent. The increase can be credited mostly to growth among sprays (+17.3 percent), whereas nasal drops suffered a 6.3 percent loss.
- Laxative and stool softener sales improved by 36 percent in five years, with some of the gain coming from the newly tracked suppositories.

The powders (+50.3 percent) and granular (ahead by more than 1,000 percent) accounted for a large portion of the five-year dollar gain in the category.

- In five years, eye care sales more than doubled. However, sales of regular contact lens solutions fell 52.8 percent as consumer attention was drawn to soft lens solutions, which gained 159.9 percent, and hard-gas permeable items (up 186 percent since 1985, when they first became a special SAMI product class).
- During the five-year period, shave creams have remained fairly constant in dollar sales, but sales of jars increased 54.2 percent.

Razor blades also failed to achieve sales momentum (up only 4.3 percent in five years), but disposable shaver systems have increased 63 percent. Disposable prepacks, injectors and double-edge carbon items have suffered major dollar losses.

- Five-year sales of facial preparations were ahead by 19.5 percent, spurred by the new class of facial sponges, which was created in 1985 to accommodate the Buf Puf items.

The five-year growth of suntan products was assisted in particular by the new screens (up 133.7 percent).

Those are just some of the highlights of the special Arbitron/SAMI report on H&BA trends by product category and product class.

Readers can get information on obtaining the complete report by writing to Warren Spence, vp-H&BA marketing, Arbitron/SAMI, 55 Greens Farms Road, Westport, Conn. 06880.

Arbitron/SAMI
five-year retail food store dollar trends

(Percentage change in retail dollars for health and beauty aid categories, 1984–88)

Baby powders	– 7.7%
Baby oils, creams & lotions	+ 11.1
Infant clothes	– 30.3
Nursing supplies	+ 38.5
Spray deodorants	– 7.7
Roll-on deodorants	+ 1.7
Stick deodorants & pads	+ 47.4
Cream deodorants	– 25.2
Deodorant & talcum powder	+ 37.3
Feminine hygiene deodorants	+ 30.5
Foot deodorants & athlete's foot remedies	+ 62.0
Feminine douches/washes	+ 28.1
First aid antiseptics	+ 62.3
First aid products	+ 9.5
Shampoo	– 1.6
Hair spray	+ 45.8
Hair conditioning rinses	+ 8.7
Hair setting needs	+119.7
Home permanent kits	– 20.1
Hair coloring	+ 21.9
Hair dressing needs	– 3.9
Toothpaste & powder	+ 12.8
Mouthwash	+ 50.6
Breath fresheners	+ 8.3
Denture cleaners	+ 6.4
Denture adhesives	+ 12.0
Toothbrushes	+ 43.1
Antacids	+ 34.1
Internal analgesics	+ 34.7
External analgesics	+ 5.0
Cold remedies*	+ 37.6
Nasal spray-drop-inhaler	+ 14.7
Chest rubs	+ 2.9
Cough remedies*	+ 9.1
Laxatives & stool softeners**	+ 36.0
Sleeping aids	+ 43.6
Tranquilizers	– 28.3
Eye care products	+110.0
Appetite suppressants	+ 13.3
Synthetic vitamins	+ 11.1
Natural vitamins/minerals/supplements†	+ 31.6
Shaving creams	+ 0.3
Pre-shave lotions	+ 9.9
After-shave lotions	– 6.7
Razor blades	+ 4.3
Razors & blades	+ 1.5
Hand & body cream & lotions	+ 47.0
Facial preparations	+ 19.5
Lip care products	+130.0
Suntan lotion-suntan oil	+ 61.4
Cosmetic & medicated skin aids	+ 26.1

*4-year trend due to category change in product mix

**Laxative suppositories not tracked until 1988

†3-year trend

Source: Arbitron/SAMI

Comparisons of retail dollar sales over a five-year span often turn up results that are quite different from results generated over a year's time, or 12 weeks or 28 days. Another important fact to be considered by manufacturers and retailers is how sales trends can vary between overall product categories and more specific product classes.

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Upscale strategies create cosmetics opportunities

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indications that growth will continue to be steady and strong.

Moving into 1989's second half, buyers are largely optimistic that cosmetics and fragrance sales will head upward, as long as management support translates into aggressive merchandising, competitive pricing, strong visual presentations with a dose of talented and well-trained store-level cosmetics clerks.

These are all vital steps, as drug chains vie for beauty-oriented women to shop their stores for favored cosmetics and fragrances. The staunchest competition, merchants generally agree, are the department stores. Upstart cosmetics specialty chains are also bound to have impact before we're deep into the 1990s.

On the product side, chain drug retailers are generally expanding space for what they consider are some of the hottest growth categories: mascaras, skin treatments, bath and shower products, and facial make-ups. They are advertising more, and in markets where it makes sense, targeting free-spending teens as a key consumer group.

BEAUTY TRENDS

Nielsen: Cosmetics

Chains find that upgrading depts. can lead to cosmetics sales growth

Many of the chains reporting strong cosmetics growth started several years ago to upgrade their cosmetic departments.

These chains have added new and more modern fixtures to cosmetics, have brought in more prestige department store lines like Arden and Lancome whenever possible, and have given expanded space to the strongest mass lines such as Revlon, L'Oréal, Cover Girl and Maybelline.

Overall, however, the cosmetic sales growth picture this year is mixed just as it is for fragrances.

About half the chains we talked to said their cosmetics sales for the first half of 1989 are stronger than last year, but others reported the opposite.

Cosmetics is a fashion business even in mass stores so "image"is very important to shoppers.This new Fantle's Drug store pulls out all the stops in its try for the right look.

Strong sales, flat wall

In some markets, buyers were reporting that their promotional sales are strong, but that their "wall" is flat.

"Our overall store sales are very, very strong," said one buyer, "and our customers are responding well to our ads, but our wall is weak, so maybe cosmetic prices are too high."

In the past, this chain did not have a standard planogram for cosmetics and that also may have been part of their problem with growth.

Now, however, the department has an expanded standard planogram that gives cosmetics and fragrances an additional 20 feet in undermerchandised stores. The buyer felt that planogram could be implemented chainwide by the end of the summer.

Overall, many chains are converting from generic sets to family sets, and in the process installing new fixtures from manufacturers such as Revlon, Factor, or Cover Girl.

In some cases, chains with a number of stores in heartland America are still struggling with the issue of service.

One buyer for a large chain with stores in states such as Ohio, Illinois and Indiana said he wasn't convinced the need for service was as strong outside major metropolitan areas such as New York, Los Angeles and Chicago.

Basically, during peak hours, his plan is to have part-time clerks service the cosmetic department to help answer questions and recommend certain products for specific applications, but for the off-hours, the department would be self-service.

'Good atmosphere'

"We're trying," the buyer said, "to get our customers to want to shop our stores because they're convenient, relaxed and pleasant to shop. We know we may not have the lowest prices in the market, but we have reasonable prices and we're trying to have a good atmosphere. We hope for that customer that translates into what I call "perceived value."

More than half the chains we talked to, however, were moving more decisively to give their customers more service. Several were testing the addition of another management level to the cosmetics department. Some chains called this level a "cosmetic supervisor" while others called them a "cosmetic merchandiser."

Generally, the buyers trying this approach were convinced it would be the key to successfully developing this department in the future.

Editors' note

The sources quoted in our fragrance and cosmetics sales and category trend stories represent close to 40 percent of total stores within the chain drug industry, and almost 50 percent of all stores owned by the Top 50 highest-volume drug chains.

This year, we decided to keep our individual sources anonymous. This stratagy allows buyers and merchandisers to be absolutely frank and honest with us. Without this level of protection, we've learned that some sources tend to overinflate their estimates of sales growth or they rate a segment, brand or a line higher than might be the case in a private discussion.

New cosmetic line launches

Brand	Manufacturer	Quarter of launch	Comments
Natural Wonder LASHMANIA	Revlon	3rd '89	New line in four shades.
Korff Extra Pure with Microcaps Retinyl-A Treatment Makeup	Korff USA	2nd '89	First treatment line to combine color with Retinyl-A treatment. Fashion image. Moderate prices.
Quintessence Color line	Quintessence	2nd '89	First line of color cosmetics from this manufacturer.
Chameleon	Max Factor	1st '89	New color innovation. Changes, when worn, to complement any outfit. Available in Lasting Color Lipstick, Diamond Hard Nail Enamel and Satin Blush.
Bonne Bell Watercolors	Bonne Bell	1st '89	Collection of waterproof summer makeup with sun protection. For eyes, lips and face, plus skin cooler.
Physicians Formula	Tambrands	1st '89	Will expand into 11 Midwest and Southern states this year, to end 1989 with distribution in 45 states.
Extra Pure	Korff Inc.	4th '88	Treatment line consisting of 15 eye pencils and eight each of mascaras, creamy eye shadows, and luminous tinted moisturizing creams.

Source: *Drug Store News* survey

Growth in 1988 color cosmetic sales by retail segments

(Drug vs food vs mass merchandise stores)

Retail segment	Retail sales (millions)	Percentage change vs. 1988
Food	$ 325	9.6%
Drug	1,047	7.8
Mass merchandise	341	2.0

Source: Nielsen Marketing Research for the twelve month period ending 5/31/89

All color cosmetics: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	61.9%	16.9%	21.1%
1986	60.7	17.9	21.4
1987	60.5	18.5	20.9
1988	61.3	18.9	19.8
1989	61.1	19.0	19.9

Source: Nielsen Marketing Research, for the 12-month period ended 5/31/89

Facial, eye products offset tapering nail sales: buyers

Many cosmetics buyers say their nail care sales have tapered off this year, and that stronger growth is now coming from facial foundations and eye color products, like no-color and hint-of-color mascaras.

These are also the trends that Nielsen Marketing Research is tracking in its store audits of the color cosmetics category.

According to Nielsen, eye color cosmetic sales were up nearly 10 percent this year to $283 million, while facial color product sales were up 7.8 percent to $351 million.

Nail color, on the other hand, only increased a moderate 2.3 percent to $159 million.

Buyers feel that the growth in mascaras and face makeups is primarily due to the rash of new products that have just entered the category. Nail color has also had a slew of major new launches, but that category has been booming for nearly three years now and some buyers say a flattening out of growth was to be expected.

In color cosmetics, drug stores continue to be the dominant outlet for mass color sales, with a 61 percent share of all mass market cosmetics sales.

However, Nielsen found that this year growth was slightly stronger in food stores, where sales of color cosmetics increased nearly 10 percent to $325 million. Sales in drug stores were up nearly 8 percent to $1.05 billion.

Despite the fact that many discount and mass merchandise stores have been upgrading cosmetics recently, refixturing the department to create a more attractive ambiance and expanding their mix to include a broader assortment of product, sales of color cosmetics for the 12 months ending last May were only up 2 percent to $341 million in mass merchandise stores.

Growth in color cosmetic sales by category segment

(retail sales in millions)

Segment	Retail sales (millions)	Percentage change vs. 1988
Eye	$ 491.7	(7.6%)
Lip	303.8	8.4
Nail	247.3	0.9
Face	590.0	8.2
All color cosmetics	1,713.0	7.0

Source: Nielsen Marketing Research, for the 12-month period ended 5/31/89

Growth of color cosmetic sales in retail drug stores

(Retail sales in millions of dollars, 12 months ended 5/31/89)

Category segment	$ sales (millions)	% change vs. last year
Face color	$350.9	8.9%
Eye color	$283.3	9.9
Lip color	$253.4	7.8
Nail color	$159.2	2.3
All color cosmetics	$1,047	7.8

Source: Nielsen Marketing Research

BEAUTY TRENDS

Nielsen: Eye Cosmetics

New eye cosmetic products

Brand	Manufacturer	Quarter of launch	Comments
Maybelline Performing Color	Maybelline	3rd '89	Longer-wearing eye pencil liners. Eight shades @ $3.15.
Maybelline COLORSTIX Powder Pencil Eye Shadow	Maybelline	3rd '89	New formula for superior application and texture. Eight shades @ $4.25.
Aziza Clear & Natural Mascara Aziza Clear Contact Lens Mascara	Prince Matchabelli	2nd '89	New line—five botanical gel mascaras plus a clear contact lens mascara.
Designer Eyes	Max Factor	2nd '89	New tri-color collection. Five kits @ $4.95.
Cover Girl Soft Radiants Sheer Color Eye Definers	Noxell	2nd '89	Eight pearl shades that glide on without pulling.
Cover Girl Soft Radiants Two Kit Shadows	Noxell	2nd '89	Line extension: six shades.
Cover Girl Natural Lash Clear Mascara	Noxell	2nd '89	Line extension: a see-thru gel.
Max Factor Some Color	Max Factor	2nd '89	See-through gel mascara with a hint of color. Four shades.
Aziza Soft And Silky Mascara	Prince Matchabelli	1st '89	New line of mascaras with silk protein in the formula. Conditions and softens lashes as it makes them fuller. Six shades.
Flame Glow Color Tints	Del Labs	1st '89	Launch of first sheer powder eye shadow. Nine shades.
Flame Glow Light Lash	Del Labs	1st '89	More than a clear gel; less than a traditional mascara. Two formulas. Three shades. New line.
Flame Glow Eye Graphix	Del Labs	1st '89	Launch of first 3-dimensional eye shadows. Six shades plus three eye definer pens.
Bausch & Lomb Eye Cosmetics	Bausch & Lomb	1st '89	New line of eye care products includes 24 shadows, six mascaras, eight eyeliners. TV and print ads support launch.
Optex New Lash	Optex	1st '89	Not a mascara, but an overnight formula that conditions to create fuller lashes.
Max Factor 2000 Calorie Mascara	Max Factor	1st '89	A "body-building" mascara for thick, long lashes. Plumps lashes up to 300 percent their normal size. SRP: $4.95.
Max Factor Brow Tamer	Max Factor	1st '89	Designed to shape, define, seperate and condition "unruly" eyebrows. SRP: $5.
"Fashion Tech" eye and lip pencils	Revlon	1st '89	Coloring tools that combine the latest technological advancement in cosmetic pencils with the most desirable fashion colors.
Revlon Sheer Tints Mascara	Revlon	1st '89	A clear gel that gives a hint of color and a touch of curl. SRP: $4.95.
Aziza Contact Lens Cosmetics	Prince Matchabelli	1st '89	First mass-market line designed specifically for contact lens wearers. Sixteen SKUs: mascara, eyeshadow, eyeliner and eye makeup remover. SRP's from $3.50 to $4.50.
Maybelline Shine Free Waterproof Extra Thickening Mascara.	Maybelline	1st '89	Thick lashes in a waterproof formula. SRP: $2.85.
The Shadow Card	Revlon	1st '89	A new slimline eye shadow compact. SRP $5.50. Four shadows to a kit; eight kits.
The Studio Collection by Jordache.	JC & F Cosmetics	4th '88	Four palettes for face and eye. Prepacks are available.
Jordache Basics Cosmetics	JC & F Cosmetics	4th '88	A collection of creamy, contoured eyeshadows in a range of fashion shades. They can be applied wet or dry.
Vitamin E Brow Definer	West Cabot	4th '88	Hypo-allergenic. Contains Vitamin E. "Tames" unruly eyebrows.
Crystal Clear Tinted Mascara.	West Cabot	4th '88	Line extension. Adds highlights without heavy color. Three shades. SRP: $3.00.
Max Factor Shadow Express	Max Factor	4th '88	New technology makes five powder shades available in a credit card slim compact. Available for a limited time only. SRP: $4.95.
Max Factor Quick Draw Magic Eyeliner Pen	Max Factor	4th '88	Hypoallergenic felt tip pen that works as a flow-through pen. SRP: $4.85.
Eye Q's	Andrea	4th '88	Line Extension: New formula for sensitive skin. Removes waterproof mascara.
Natural Wonder Heartbreakers Shadow and Liner Kit	Revlon	4th '88	The first and only shadow and liner combination packaged together in one kit, Featured are four color-coordinated three-pan kits.

Source: *Drug Store News* survey

Mascaras, treatments, foundations growing fastest

This year mascaras, skin treatments and foundations seem to have overtaken nail products as the fastest growth segments in most chain drug stores, with sales up between 10 percent to 20 percent.

Nail care still up

Nail care is not soft, however. Many buyers say their sales are still up, but at rates ranging from 8 percent to 10 percent on average.

Last year many chains were reporting 20 percent increases in nail sales, with the treatment segment showing the strongest growth.

This year some chains say their color sales are growing faster than nail treatments, but this is not the case across the board. Some buyers also point out that their nail color sales are up more simply because they carry more SKUs of color than they do of treatments.

As a line, Max Factor is still on a roll with mascaras. Some buyers say that overall, Max Factor is the fastest-growing line that they carry in their stores right now.

No-Color Mascara is still doing well at most chains, although there are a few reports of slowdowns. But now Factor's 2000 Calorie Mascara is also coming on very strong—one buyer termed the product's sales as being "fabulous."

Revlon's Hint of Color was just getting to many stores at press time, but buyers who had it said initial sales were doing well.

Cover Girl's No Color was named by several buyers as also strong, and so was West Cabot's No Color.

L'Oréal's Lash Out is very strong in almost every chain—some buyers said it was "flying" out of their stores—and Maybelline's mascara is also doing well.

Therapeutic effects

Revlon's Lash Repair is positioned more as a therapeutic product than a fashion mascara, but several sources say it is doing very well for the short time it has been available. One source said he thinks that Lash Repair works particularly well for fair-skinned women who have had the least success with No Color.

"It's not flying out the door yet," one source elaborated, "but it's doing very well for a therapy product. It also works great. You don't lose your eye lashes when you take off your makeup. I think that word of mouth is going to build this item."

Several sources said that Factor's Brow Tamer is also doing well. Launched earlier this year, Brow Tamer helps shape and tame "unruly eyebrows."

Reviews were mixed on the new slim eye shadow kits that came last year from manufacturers like Revlon, Factor and Maybelline. Some sources said they were moving very well, while others said they were "disappointed" the kits weren't selling as well as expected.

Eye lashes don't have a very broad market, but most buyers say they are consistent sellers, with the Ardell line often singled out as one of the best.

Aziza's Contact Lens Cosmetics have scored strongly with some chains, but some buyers report that the line's sales are just average.

One buyer who said sales were strong says it may be because she discovered she could successfully advertise Contact Lens Cosmetics as a separate line or as a line within a line.

One source said that although he has added the Contact Lens Cosmetics to his planogram, his movement from the pre-packs "seems slow and the jury may still be out on the line."

The Bausch & Lomb eye cosmetics are also drawing an early mixed reaction. Most sources reported they are not selling well, but a few buyers say they are doing OK.

The buyer for one of the industry's bigger chains said he is surprised the line hasn't done better in his stores. He said he expected it to be a "natural" because of Bausch & Lomb's "clout" with contact lens wearers.

Customers' perceptions

"Apparently, people would rather buy contact lens cosmetics from a cosmetics company. The Bausch & Lomb name doesn't seem to have the same clout with cosmetic users," he reasoned.

Some chains, however, have put up shelf signs in their eye lens departments which direct customers to the Bausch & Lomb cosmetics line, and buyers tell us that has worked very well, and sales on the cosmetic products have been brisk.

Eye color cosmetics: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	57.9%	19.6%	22.5%
1986	56.5	20.3	23.2
1987	56.1	21.1	22.9
1988	57.8	21.3	20.8
1989	57.6	21.5	20.9

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

Growth in eye color* sales by retail segment

Retail segment	Retail sales (millions)	Percentage change vs. 1988
Food	$106	10.5%
Drug	283	9.9
Mass merchandise	103	(0.9)

*Eye color includes mascaras, shadows, liners and pencil refills.

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

BEAUTY TRENDS

Nielsen: Nail Care

Growth in nail color* sales by retail segment

Retail segment	Retail sales (millions)	Percentage of change vs. 1988
Food	$ 42	2.5%
Drug	159	2.3
Mass merchandise	46	(5.1)

*Nail color includes polishes and removers.

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

New nail cosmetic products

Brand	Manufacturer	Quarter of launch	Comments
Revitalizing Color for Nails	Maybelline	3rd '89	Nail color/treatment line. 20 shades plus clear. $2.50.
Nail Thick	Max Factor	2nd '89	Nail thickener that also shields the nail from damage. $6.50.
Revlon Nail Treatments: Cuticle Check, Stainguard Anti-Stain Base Coat, Maximum Shine Top Coat, Grow 10	Revlon	2nd '89	New four-SKU line of at-home professional manicuring aids.
Cosmar Sculpture Quik Acrylic Primer	Cosmar Corp.	2nd '89	First acrylic primer for retail market. $3.99.
Cover Girl Ten Terrific Nails Instant Base Coat	Noxell	2nd '89	Line extension: Goes on instantly to speed up treatment process.
Max Factor L.A. Nails	Max Factor	2nd '89	French manicure: four shades.
Sally Hansen Cuticle Zone Therapy Nail Color Remover Pad, Bright Nails Stain remover, 2-in-1 Nail White Pencil	Del Labs	1st '89	Line extensions: Breakthrough three-phase formula.
Cover Girl Nailslicks Transparencies	Noxell	1st '89	Shiny to create a "wet" look. seven sheer shades.
Grow Strong Restructuring Nail Color	L'Oréal	1st '89	Formulated with keratin fortifiers to penetrate the nail and bind together the nail layers. Primer plus 23 colors. SRP $3.65.
Shine Free ColorTough For Nail	Maybelline	1st '89	Mini-sized nail colors matched to mini-sized ColorSoft For Lips line.
Scultured Gel Nails	Jonel Inc.	1st '89	New gel formula makes nail neater and easier to apply.
Cutex Shine On	Prince Matchabelli	1st '89	New line emphasing extra shine and longer wear.
Cutex Nail Care	Prince Matchabelli	1st '89	Twelve-SKU line of nail treatments.
Cutex Nail Implements	Prince Matchabelli	1st '89	Seven-SKU line of nail implements.
Satin File	Revlon	1st '89	Can file the nail without damaging manicure or nail color.
Cutex Strong Nail Polish Removers	Prince Matchabelli	4th '86	Removes polish while conditioning nails.
Andrea Professional Nails	Andrea	4th '88	Contoured glue-ons in three shapes. SRP: $4.99. Refills and glue will also be sold seperately.
Andrea Nails Remover	Andrea	4th '88	Cleans and clears nails in 60-75 seconds. Won't harm nail or cuticle.
Chevron Style	Orly Int.	4th '88	Line extension to French manicure collection.
Nail Miracle	Beauty Labs	4th '88	New nail treatment/conditioner.
Sally Hansen One Coat Instant Strength Calcium Gel Nail Fortifier.	Del Labs	4th '88	Line extension.
Ciani 3-Way Clear	PC Industries	4th '88	A clear nail lacquer, mascara and lipstick. The lacquer can be used as a three-in-one product: as a top or base coat or as a clear lacquer.
Revlon Calcium Gel Nail Builder	Revlon	4th '88	A superior strengthener in a fast drying gel formula.

Source: *Drug Store News* survey

Nail treatments still are above-average growth segments within cosmetics. Implements and accessories, often merchandised beside treatments, are also doing well.

Nail color sales are outpacing nail treatments at most chains

In nail care products, Cutex Shine On is doing very well in many chains, and buyers say L'Oreal's new Grow Strong is "fabulous." The Cutex Strong Nail line is also selling well, although sales of Strong Nail color items are outpacing treatment items, several buyers said.

This year some buyers say their sales of nail treatment have slowed somewhat, while nail color sales have picked up. This may be because there are many new color lines on the market with treatment properties.

In treatments and color with treatments, Sally Hansen, Revlon, Cutex Strong Nail and L'Oreal's Grow Strong are said to be doing the best job at mass merchandisers.

Salon treatments

Also doing very well are what our sources call the professional or "salon" treatment products. Some buyers say these brands are showing the strongest growth within their treatment mix.

Several buyers said the DeLore line is selling especially well. Several chains advertised their Nail Kit at Mother's Day and reported an outstanding sell through.

One of the biggest chains reported that Formula 10 is especially hot right now, while among upscale mass treatment brands, Revlon's Nail Therapy is also doing well.

Several buyers said the nail treatment skin patch from Beauty Labs, Over Night Nail Miracle, is doing very well. A buyer with stores in New York and New Jersey said it was particularly strong there, and a source for one of the largest chains said that for a relatively high-priced item, it was doing very well in her stores.

However, a source for another large chain said he was "disappointed" in Nail Miracle, adding that it really wasn't that hot in his stores and possibly this was because of price.

In artificial nails, Lee still seems to be the leader, with its Sculptured nails selling the best. Jonel and Fing'rs also got several positive mentions from buyers.

Many buyers, however, have cut back on their space for artificial nails, and several chain buyers told us that they have dropped all their colored nail extenders. Many chains do continue to carry colored artificial nails and some buyers tell us that the lines they carry are selling, although they wouldn't call that category hot anymore.

Virtually all of our sources identify Revlon's extensive nail color line as their best-selling nail color, but many buyers said their strongest growth in color is coming from Cutex with Shine On and Perfect Color and from L'Oreal with Grow Strong.

Cover Girl's Nail Slicks and Luminescence, Cover Girl One Coat and the Maybelline nail color lines, especially Shine On, are also showing good growth.

The buyer for one of the industry's biggest chains also said that the Flame Glow Super Shine Nail was doing very well in his stores. He also said the Maybelline Shine Free nails are just "blowing out" of his stores.

In this chain, Press and Go artificial nails with color were selling well and Nailene was doing well in its niche, but Lee has cut back its advertising in many of this chain's markets and as a result sales have been dropping off, he said. Lee's sculptured nails, however, are still doing OK.

This is also one of the few chains to report that the Beauty Labs Overnight Miracle patch was not selling well.

In implements, both the Revlon and the La Cross lines are selling well, according to the buyers surveyed.

Nail color cosmetics: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	64.2%	15.1%	20.6%
1986	64.2	16.4	20.6
1987	63.1	16.9	20.0
1988	64.6	17.0	18.5
1989	64.4	17.0	18.6

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

BEAUTY TRENDS

Nielsen: Facial Cosmetics

Makeup rises 20% bolstered by foundations, cheek colors

Foundations and cheek colors are really starting to perk up in sales. Some buyers reported as much as 20 percent growth in makeup sales, although the base sales in this segment are much less than they are for lip, nail and eye color products.

In makeup, early reports from chains that have L'Oreal's new Mattique Illuminating makeup are that the prepacks are selling very well. Many chains have already added it to their planograms.

L'Oreal's Visuelle, Maybelline's Shine Free, Cover Girl makeup and the Revlon New Complexion makeups are also singled out as very strong lines. Max Factor's pancake makeups are still doing a very good basic business, and their new Satin Splendor line was singled out by several buyers for selling well.

The Almay foundation products are still very strong, and chains that carry Physician's Formula say this line is selling particularly well, especially in the West and the Southwest where the line has its strongest distribution.

Several buyers added, however, that their color sales of Physician's Formula are not as strong as their foundation sales. Almay used to have the same problem, but many buyers say their new fixtures are now rectifying the problem. The foundation products from Physician's Formula also do so well because the company has been incredibly successful detailing their products to dermatologists.

Face color cosmetics: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	60.5%	16.8%	22.6%
1986	59.3	18.1	22.6
1987	59.0	18.8	22.2
1988	69.6	19.2	21.2
1989	59.5	19.2	21.3

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

Max Factor is bringing out a new Invisible Makeup that buyers say could be good. One source described it as a "small line that could hit a niche." Several buyers said they'll know better after their first ads break in the fall.

Some chains are giving Sun Smart, Factor's summer makeup with sun protection, a second chance. Sun Smart sort of got lost in the shuffle last year, but several buyers say they think the idea is good and deserves a second chance. Factor has made some changes in the line, and although not everyone we talked to planned to try it again, those who had reordered it were hoping Sun Smart would take off once the season is in full swing.

Among the smaller lines, Rubigo seems to be gaining increased distribution. Some buyers say they didn't have the space to have a limited assortment line, but one buyer said she had tested a countertop prepack of the Rubigo tube blushes and they sold extremely well "without advertising."

New face cosmetic products

Brand	Manufacturer	Quarter of launch	Comments
Max Factor Powder Bar	Max Factor	3rd '89	First "solid" loose powder. Formula has no binders as pressed powder does. SRP: $7.50.
Maybelline Satin Complexion Face Powder	Maybelline	3rd '89	New sheer coverage line of six shades. SRP: $4.00.
Revlon Air Blush	Revlon	2nd '89	All-in-one brush pen. Innovative delivery system. Six shades. SRP $7.95.
Max Factor Professional Makeup Remover	Max Factor	2nd '89	Two-in-one process. Removes makeup and cleanses.
Max Factor Invisible Makeup	Max Factor	2nd '89	First foundation without color. SPF 6. Oil free, moisturizing. SRP: $7.50.
Max Factor Rosewater Blush	Max Factor	2nd '89	A water-based liquid blush with a rose tint that adapts to all skin tones. SRP: $6.50.
Max Factor Sun Smart	Max Factor	2nd '89	Summer make-up collection with an SPF 6 formula. A sheer make-up in three shades; sheer blush in two shades; and sheer eyeshadow in four shades.
Cover Girl Oil Control Truly Fresh Blush	Noxell	1st '89	Each compact holds blush and highlighter. Five shades.
Cover Girl Soft Radiants Sheer Color Blush	Noxell	1st '89	Each compact holds blush and highlighter. Six shades.
Mattique Illuminating Matte Makeup	L'Oréal	1st '89	Shine resistent, fragrance free, allergy tested. Targeted to fill premium spot in oil-free market.
Sleek Cheeks Powder Blush	Maybelline	1st '89	A new slim compact blush. Eight shades. SRP: $3.35.
New Complexion Loose Powder	Revlon	1st '89	Leaves no chalky residue or powdery after-feel. Leaves skin refreshed & silky.
Line Concealer with Luminex	Revlon	1st '89	"The first therapeutic camouflage cosmetic." Fills, covers and treats the skin. Revlon's third New Age Therapy product, the companion to Lash Repair and Calcium Gel Nail Builder.
Almay Powder Finish Cream Blush	Almay	1st '89	Applies like a cream, but dries like a powder. Six shades.
Flame Glow Powder 'N Brush Blusher Pencils.	Del Labs	4th '88	Line extensions.

Source: *Drug Store News* survey

Skin treatments up 20%, so chains rethink planograms for impulse sales

Skin treatments are selling better than ever, up 15 percent to 20 percent in some chains.

Many buyers told us that "everything" in treatments is selling well right now, from Clarion and Plenitude, two new lines, through Almay, the Revlon treatments and the mass brands, especially Olay and Neutrogena.

More buyers also report that their chains are trying to come up with better ways to merchandise treatments. Some buyers are thinking of merchandising franchised treatments in the same set with the color products in their line—all Clarion together and all Revlon together, for example.

Many chains that are merchandising treatments this way report sales are improving because it seems to be easier for customers to make related impulse sales.

Other chains wonder if they should create a generic set for skin treatments just as they did for nail treatments a few years ago. In some cases, chains are considering putting the mass lines in with the franchised lines instead of leaving them in the toiletry aisles.

However, even though a number of chains are testing or thinking of testing, nothing very conclusive has been decided yet.

Spokespersons for several major chains hope to have a new planogram for treatments by the spring of next year when re-sets begin.

One buyer for a chain with smaller-size stores, less than 8,000 square feet on average, argued against creating a segregated set for treatments.

He pointed out that of all the manufacturers, only Revlon, which has several different lines of franchised treatments, would benefit. Clarion, Almay and Factor all can be merchandised better side by side with their sister brands in color, he felt.

A few chains that have a family set approach are also planograming the new L'Oreal Plenitude treatment line on the L'Oreal cosmetic wall, but most chains are giving the line space in their mass H&BA skin care department as L'Oreal has requested.

Some buyers, however, still have reservations about putting Plenitude in mass. A source who had tested Plenitude in both locations said that although there wasn't any "significant difference" in sales performance, the line might be better positioned in the L'Oreal cosmetic set.

"It's not as simple a line as Olay," this source said, "and I think it would be easier to sell if it was in cosmetics, especially if there are cosmeticians in the store to answer questions."

Plenitude did well in test stores, however, and this source was hoping that L'Oreal is right about putting it in with mass skin care.

Clarion's new skin treatment launch is doing well.

Growth in face color* sales by retail segment

Retail segment	Retail sales (millions)	Percentage of change vs. 1988
Food	$113	10.8%
Drug	351	8.9
Mass merchandise	126	4.4

*Face color includes liquids, powders, concealers and miscellaneous

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

Foundations and cheek colors sales have been up. The products do especially well when they are merchandised attractively on endcaps, as in Wellby's Falmouth, Maine store.

BEAUTY TRENDS

Nielsen: Lip Cosmetics

Women who buy cosmetics in drug stores like to have a broad variety of product to choose from. Product assortment and popular brand names are important in their choice of where to shop.

Some buyers think that teenage girls are trading up from budget cosmetic purchases to the "better" name brands such as L'Oréal and Revlon. More of the major manufacturers are also advertising in teen magazines and some retailers are about to do the same.

New fixturing, 'mood' items help chains achieve lip color success

Most buyers are reporting that their lip color sales are down a little this year. However, Revlon seems to have scored a success with its new Lip Therapy. Buyers say the initial response to Lip Therapy is very strong, but they point out that while the ticket is good and consumer acceptance is positive, turns are slower than they would be for a fashion product because treatment products are not high-consumption items.

Some chains that have put in the new Almay fixtures for lip and nail also report that these lines now "are just flying out the door."

"With the new displays, the color just pops right out at you," said one source. "It's doing very well now."

Revlon's Powder on Lip Color had only been in most stores a short while when we talked to buyers at press time. Initial reports from some chains were that turns were starting slow, but that they could get better as customers became more familiar with the line. One buyer for a major regional chain with a very strong cosmetics program reported that the Powder On Lip Color sales were "very strong" in his stores.

Turns are slower than they would be for a fashion product because treatments are not high-consumption items.

Some buyers are also telling us that "mood lipsticks" are coming back. These are lipsticks that change color as the wearer's mood changes, or as their body temperature changes.

Chains that have done promotions with Cosmagique's mood lipsticks report they did very well. One chain planning a Wet 'n Wild promotion on mood lipsticks also said they expect it will do well also.

Several buyers also said the Revlon Fashion Tip lip and eye pencils are selling well, and so are the Flame Glow defining pencils.

Pegged cosmetics

In pegged cosmetics, Cover Girl and Maybelline are both strong. However, most buyers say that Maybelline has been more innovative lately, possibly because Noxell is concentrating most of its energy on establishing Clarion, which is now doing very well in all the chains we surveyed.

Some of our sources also told us that for the first time they're noticing that Maybelline is growing faster in sales than Cover Girl. This was not the case in all chains, however, and buyers stressed that both lines were still doing very well for them.

A number of buyers said they were particularly looking forward to the new Maybelline mascaras and sheer pressed powders coming out in late summer. The overall feeling was that they will do well.

Budget lines

This year reports on the budget lines are that they're OK, but not showing dramatic growth. Wet n' Wild seems to be showing the most growth right now, according to buyers.

But many buyers also report that they think their traditional budget customer is starting to trade up to Revlon, L'Oréal, Maybelline and Cover Girl.

New lip cosmetic products

Brand	Manufacturer	Quarter of launch	Comments
Max Factor X-Rated Lip Gloss	Max Factor	3rd '89	First crystal-clear lip gloss with a brush applicator.
Sheer 'n Sweet Glosstick	Coty	2nd '89	Sheer color in bubblegum flavors. Eight flavors, $3.95.
Cover Girl Lipsticks/Lipgloss	Noxell	2nd '89	New line of sheer, colorful lipsticks that also provide a super-glossy shine. Five shades, plus a pure gloss.
Almay Lipsticks	Almay	1st '89	Relaunch with new longer lasting formula with extra moisturizing ingredients. 36 shades. Multi-million-dollar print campaign.
Revlon Powder-On Lip Color	Revlon	1st '89	Technological advancement. Matte-like results are unique to a powder-on formula. Eight shades.
Wet 'n Wild IntraColor	Pavion	1st '89	A treatment lipstick: Twelve shades, plus Vitamins E, A, and an extract that treats dry and damaged lips. SRP is $1.99.
Shine Free ColorSoft For Lips	Maybelline	1st '89	New mini-sized line with colors matched to new Shine Free ColorTough Nails shades. SRP: $5.50
Maybelline Long Wearing Lipsticks	Maybelline	1st '89	New formula and new package.
Flame Glow Lush Lips Lip Polish	Del Labs	1st '89	New packing for roll-on gloss. Improved formula. six flavors.
Flame Glow Sheer Shine Lip Gloss Gel	Del Labs	4th '88	Formula contains sunscreen and Vitamin E. Does not have the "heavy" feel of a gloss. Six shades.
"My Lips Are Sealed"	Cosmetically Sealed Industries	4th '88	New lipstick sealer.
Wet n' Wild Gel-Mania	Pavion Ltd.	4th '88	Lip gloss with conditioners.
Wet n' Wild Crystal Clear Lip Gloss	Pavion	4th '88	First totally transparent lip gloss, contains a sunscreen and Vitamin E.
Precision Lip Liner	Maybelline	4th '88	Thin-line color that glides on from an automatic pencil dispenser.

Source: Drug Store News Survey

Lip color cosmetics: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	67.4%	15.0%	17.7%
1986	66.7	15.6	17.7
1987	66.6	16.1	17.3
1988	66.1	16.6	17.3
1989	66.0	16.6	17.3

Source: Nielsen Marketing Research for the 12-month period ended 5/31/89

Growth in lip color* sales by retail segment

Retail segment	Retail sales (millions)	Percentage of change vs. 1988
Food	$ 64	11.2%
Drug	253	7.8
Mass merchandise	67	8.1

*Lip color includes pencils, glosses, lipsticks and outliners.

Source: Nielsen Marketing Research for the 12-month period ended 5/31/89

Nielsen: Fragrances

BEAUTY TRENDS

Advertising and service boost growth in fragrances

Despite another surge of product launches, fragrance sales in most chain drug stores were relatively flat at midyear.

Fragrance buyers say that while overall sales may be flat, growth is coming from seasonal promotions, department store designer brands, and select mass brands that are generally growing at the expense of weaker brands.

A handful of chains are bucking the flat-line trend. These are primarily the stronger regional companies as well as those with strong service programs. Most of our sources who report strong sales, say their fragrance dollars are up between 5 percent and 10 percent.

One major regional northwestern chain reports year-to-date growth of between 10 percent to 15 percent, which it attributes to a more aggressive advertising and merchandising program as well as the conscientiousness of a particularly good cosmetic merchandiser. It is the merchandiser's responsibilty to oversee the cosmeticians in this chain and to make sure that the cosmetics presentations are strong and in line with corporate guidelines.

The fragrance buyer for this chain is convinced that their growth "is really due to us and our efforts with this department. My merchandiser is doing the right things at the right time," she said.

"We're making sure we're the first on the list when something new comes out. We're advertising fragrances more. We're picking four fragrances each month and discounting them, and we're displaying them better at store level. We're doing display contests and we're decorating our stores more."

Customer service

Another buyer, whose sales were up close to 10 percent, said he was sure that at least some of the growth was due to the efforts of service cosmeticians.

"Service is an issue in this industry right now," he said, "but I definitely think it helps sales when you have someone present to help the customer." The fragrance buyer for a chain in the industry's top five reported that while certain brands were doing well and some new launches were off to a good start, overall there was no growth in the category. "People are basically just trading off sales, switching from one brand to another," he said.

Some buyers with flat sales were starting to wonder if perhaps they weren't doing enough to merchandise the category effectively.

"I was at a conference recently," said one buyer, "and I heard another drug chain fragrance buyer say that he thought of the fragrances in his stores as soldiers lined up to march off the shelf, only they weren't marching.

"It made me wonder if we were falling into the trap of waiting for someone else to perk up the category for us. If we wait for someone else, it might not happen. We have to be sure we're doing everything in our power, with ads, displays and prices to make this category grow."

Many buyers said they were noticing that growth was also often a function of how well their cosmetic merchandisers were performing.

The chain reporting the strongest growth has less than 50 stores and only one merchandiser, but the buyer described her as "excellent" and said that when she managed the cosmetic department for one store, "that store always registered the best increases each year in cosmetics."

This buyer also relied on the cosmetic merchandiser to spot brands that were slowing down. "Recently Aviance Night Musk started to slow down a bit," the buyer said. "My cosmetic merchandiser noticed the slow down and picked Night Musk as one of our fragrances of the month. We discounted it, displayed it, made a fuss over it, and that helped sales."

Because many women buy fragrances impulsively, it helps to merchandise off shelf. Island counters are very successful in generating add-on impulse sales, buyers say.

Growth in mass market fragrance sales
(Retail sales in millions)

Retail segment	Dollar sales	% change vs. last year
Food	$ 108	14.5%
Drug	1,012	4.1
Mass merchandise	219	4.5
All mass market stores	1,339	4.9

Source: Nielsen Marketing Research for the twelve months ended 5/31/89

Drug stores' share of all mass fragrance retail sales

Retail segment	% share of sales
Drug	75.6%
Food	8.1
Mass merchandise	16.3

Source: Nielsen Marketing Research for the twelve months ended 5/31/89

Women's mass fragrances: Five year trend in market share shifts
(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	85.5%	n.a.	14.5%
1986	86.0	n.a.	14.0
1987	87.6	n.a.	12.4
1988	88.5	n.a.	11.5
1989	88.6	n.a.	11.4

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

Food, mass merchandisers no threat to drug store's fragrance sales shares

The latest Nielsen Marketing audits for the 12 months ended May 31 confirm that chain drug store fragrance buyers are right on target when they perceive that total fragrance sales are relatively flat.

According to Nielsen, fragrance sales in drug stores were up a modest 4 percent in dollars this year to $1 billion.

Mass merchandise or discount stores also had a relatively flat year, with dollar sales only increasing 4.5 percent to $219 million, according to Nielsen.

Food stores did much better with the category this year, and many of the buyers *Drug Store News* talked to felt it was primarily because of the success of combination stores.

Some good news

The good news from Nielsen is that drug stores aren't losing share to the food and mass merchandise chains.

In the women's category, drug stores remain dominant. In the past five years, drug stores' share of all mass women's fragrance sales has gone up three points to nearly 89 percent against mass merchandise chains.

In men's fragrances during the same period, the drug store industry share has gone up two points to 60 percent, while food chains have only gained one share point to 17 percent. Mass merchandise chains, for the same period, have dropped nearly four points to just under 22 percent.

When fragrances are lined up like "soldiers" on a wall, buyers say the brands need something eye-catching to make them stand out. Buyers think Ex Cla Ma Tion! succeeded so well because the package popped off the shelf.

New fragrance product launches

Brand	Manufacturer	Quarter of launch	Comments
Aspen	Quintessence	3rd '89	Six-SKU men's line. SRP: $10 to $21. Positioned as rugged, fresh and outdoorsy.
Only by Julio Iglesias	Colonia Inc. Dist	3rd '89	Ten-SKU line aimed at upscale market. SRP: $16 to $100.
Electric Youth	Revlon	3rd '89	Debbie Gibson signature fragrance aimed at teens.
Misha	Richard Barry	3rd '89	Prestige line for select department store locations. Bears nickname of dancer Mikhail Baryshnikov.
Red Door	Elizabeth Arden	3rd '89	Prestige scent for select department stores.
Jaclyn Smith's California	Max Factor	2nd '89	Signature fragrance launching first at Bloomingdale's in the spring. Nine SKUs. SRPs: $12 to $60.
Wild	MEM Co.	2nd '89	Four-SKU line aimed at 16 to 24 year olds. SRP: $7.95
Night Rhythms by Impulse	Price Matchabelli	2nd '89	First nightime cologne for teens.
Love's Baby Soft	MEM Co.	2nd '89	Multi-million dollar relaunch.
Major new men's brand	Prince Matchabelli	2nd '89	
Almay Fragrance	Almay	2nd '89	Line extension: Purse size cologne spray.
Le Jardin Fleur de Rose	Max Factor	2nd '89	Line extension: eau de cologne.
Rebel	AllerCare/NSL	2nd '89	New three-SKU line of men's grooming aids including a cologne. Named in honor of actor James Dean.
Friday	Bonne Bell	2nd '89	New teen fragrance positioned as representing freedom, excitement, romance.
Parfum BIC	BIC Corp.	1st '89	New line of high-quality French perfumes at affordable prices. Two men's and two women's scents. SRP: $5 per ¼-ounce bottle.
Deborah ScentSationals **Everlasting (Eternity)** **Wisdom (Knowing)** **Miz (Liz Claiborne)** **Untamed (Uninhibited)** **For Your (Lou-Lou)** **Gypsy Rose (Giorgio Red)** **Secret Potion (Passion)**	Deborah Int.	1st '89	Line extensions: seven new alternative designer fragrances.
English Leather Musk	MEM Co.	1st '89	New packaging.
Classic Form	MEM Co.	1st '89	New men's fragrance.
Dare	Quintessence, Inc.	1st '89	A romantic scent that can "make fantasies come true." Launched in January at JC Penney's. Hit mass in April. Support includes TV, print, sampling.
Red	Parfums Giorgio	1st '89	Limited distribution fragrance using new technology to match the fragrance of "living flowers at their fragrance peak."
Adidas	Quintessence	4th '88	Relaunch with $4 million print/TV campaign.
Ali	Crystal Fragrances	4th '88	Named after Muhammad Ali. In test in the Midwest.
Jordache Fragrance For Women	JC&F, Inc.	4th '88	New package: Gold-on-gold stripe with an embossed monogram. The fragrance comes in a French flaçon.
Trouble	Revlon	4th '88	Aimed at women 20-40. First internally developed scent since Jontue in 1975. Seven SKUs. Priced $10 to $80.
The Alternatives	Westport Labs	4th '88	Four new ADF scents based on Knowing, LouLou and Eternity.

Source: *Drug Store News* survey

Most of our sources also say that Mother's Day fragrance sales were very good, and most buyers are optimistic that Father's Day will also give the category a boost.

New launches help give life to fragrance category

Fragrance manufacturers have stepped up the pace of new product launches this year, and that is helping to boost sales in the category.

Last year, there were about nine major launches of mass market fragrances. So far this year about 10 new launches have been announced and there are probably more to come.

Some of the newest lines are off to a very good start and sources for both the major chains and small to mid-sized regionals are expressing cautious optimism about launches that are just shipping now or that will ship a little later this year.

Most of our sources also say that Mother's Day fragrance sales were very good, and most buyers are optimistic that Father's Day will also give the category a boost.

Dare

Dare is probably one of the first fragrances of the year to reach drug stores and early reports from throughout the country are that its acceptance is very good.

In JCPenney, where Dare was given an exclusive launch last January, sources reported it did well, actually selling out in some stores and hoarded in others.

Cosmetic clerks at Walgreens, which got the brand in late March, reported excellent sales, and buyers for both regional and major chains with stores in multiple markets said it is doing very well.

"Dare started moving from the second we put it out and it's held," said the buyer for one of the industry's top five chains, "Quintessence is continuing media support for it beyond Mother's Day, and that, I think is the way to go. It's what this category needs."

Max Factor and Jaclyn Smith's California

Many buyers we talked to also reported that Factor's Le Jardin line was selling well, and especially its latest line extension, Fleur de Rose.

And every one of our sources was very positive about Factor's newest scent, Jacyln Smith's California.

California had what sources said was an "excellent" launch in Bloomingdale's earlier this year, and it was shipping to the mass market as we went to press. Several buyers said California and Dare could be the two strongest women's launches of the year in mass.

"I'm very positive about Jacyln Smith," said one buyer, "If they do what they say in advertising and distribution, it could be very strong."

One buyer described the bottle and the packaging as "excellent" and said that Jaclyn Smith's name on the brand was an undeniable asset.

Ex Cla Ma Tion!

Last year's strongest launch in women's mass fragrances, Ex Cla Ma Tion!, is holding up very well. Its movement isn't as strong as it was at Christmas, but buyers say it is still selling very well and they know now that women are coming back and rebuying it.

Ex Cla Ma Tion! was also featured in just about everyone's ads for Mother's Day, and according to all our sources, sold through very well.

Parfum Bic

So far, early reports on the launch of the BIC portable perfumes are not promising. Buyers who have the line say sales have been slow. Some say they are close to talking to the BIC Corp about returns, while others say they are going to wait it out to see if the changes BIC is making in its blister pack and testers will help the line.

Some of the buyers we talked to had not taken the line because they said they were skeptical about its chances for success.

"BIC was trying to sell it as a commodity," said one source, "but that's not how you sell fragrances."

However, several buyers say they liked the scent and BIC's advertising for the line. They thought the idea was at least original and they were going to wait it out "as long as possible" to see if BIC could pull off a turnaround.

Charlie Oriental

The original Charlie scent is selling much better since its relaunch last year and the new Charlie Oriental scent is doing exceptionally well in many chains. However, there were a few buyers who described Charlie Oriental as "about fair."

Trouble and Almay

Trouble has fared a little less positively. Most buyers say sales are okay, but not out of the ordinary, and some sources said it was selling through slowly.

Almay also has not set the world on fire, with many sources saying sales of the Almay fragrance are slow. But several chains also told us that the Almay fragrance does seem to have a niche and two buyers said they were getting fairly good sales with the brand and both felt it was "holding its own."

Established favorites

The old perennials are doing well. Lady Stetson, however, seems to be the strongest of the established brands and in some chains, Vanderbilt is growing at a rate slower than in the past. Glorious, in many chains, is very slow, but there were some buyers who said it was improving and turning into a "good, stable everyday brand."

Sand & Sable was named by several sources as a "sleeper brand," doing well in many stores and especially hot in the Southeastern market.

Wind Song, which was relaunched earlier this year, is doing well in a number of chains and many buyers say they are setting much stronger increases for MEM's Love's Baby Soft which was also recently repackaged and relaunched.

"It was a nice kind of surprise for us," said one buyer about Love's. "We took a chance and it's doing well."

BEAUTY TRENDS | Nielsen: Fragrances

Chains focusing on marketing fragrances to teens

This year, many chain drug stores are starting to take a serious look at the teen market, targeting teens as a key "secondary market."

Two of the industry's biggest chains are getting ready to break their first ads targeted specifically at teens. One chain is breaking its first teen ad in a summer issue of *Seventeen* magazine. The ad will include store coupons discounting selected cosmetics, fragrances and toiletries. Among the brands featured will be many marketed directly to teens such as Night Rhythms, Natural Wonder, Electric Youth, and Maybelline Shine Free.

The other chain has also created its first print ad for teens, and their ads are timed to break for back-to-school. Two of the new teen fragrances, Electric Youth and Friday, will be featured in that ad.

Another large chain is creating a teen center that combines popular musk brands with popular teen fragrances like Night Rhythms, Electric Youth and Verve.

This year too, there are a slew of new launches aimed at the teen fragrance user. Revlon, of course, is launching Electric Youth, the Debbie Gibson signature fragrance. Matchabelli, which launched one of the first teen fragrances, Tres L.A. Impulse cologne, is bringing out Night Rhythms. Bonne Bell has Friday out, and MEM is launching Wild and relaunching Love's Baby Soft.

However, although all the buyers we talked to were eager to court the teen shopper, some were also worried about the "fickleness" of this market.

Everyone we talked to said they were taking Electric Youth, and everyone said they loved the scent, the packaging and the concept, but some buyers said they were ordering cautiously because they feared teens might be tired of Debbie Gibson by the time the scent hits their stores or soon after.

Electric Youth

One source said Electric Youth looks "terrific," with vivid packaging, but he said he can't be sure how it will succeed overall.

"It will get a lot of attention," he says, "but sales will depend on a number of unpredictable variables. Will Debbie Gibson continue to be popular after it's launched? Will teens buy it again after they make that first purchase? That market is so faddish that you never know what to expect from day to day."

The chains who were talking of "courting" the teen shopper, however, were confident about Electric Youth. One source said the concept seems to be "well thought out" and "well supported by Revlon. And with Debbie Gibson," she added, "they've got something very strong."

Wild and Friday

Some of the buyers we talked to, however, were more cautious about teen scents coming from companies that lacked the marketing clout of Revlon or Matchabelli. The reaction to MEM's new teen line, Wild, and Bonne Bell's teen fragrance, Friday, was mixed.

A few chains surveyed had taken one or the other but not both, and several chains said they turned down both and decided to concentrate their merchandising on Electric Youth and Night Rhythms.

"We said no to Wild," said one buyer. "We want that market, but it's just too risky. It's funny; we do a good job with the younger girls with Tinkerbell, but we fall between the cracks for the girls 14 to 19. I'd like to do more to attract them, but it's too much of a gamble."

A buyer who passed on Friday said he just didn't feel teens would be that interested in a mass fragrance designed specifically for them.

"They have so much expendable capital, it's unbelievable," he reported, "But what you see them buying the most of are the designer fragrances that their mothers wear: Giorgio, Obsession, Passion, etc."

A source for a large chain that bought Friday, however, said she felt it will do well. "Bonne Bell has a great deal of appeal to the young market," she said, "and I think their fragrance will catch on."

One buyer who has had Friday in his stores for a few months says it is selling well for him, and he called it a "good addition" to his staple, everyday mix.

One source who took Wild but not Friday said she made that choice because she thinks MEM really knows the teen market. She says Loves Baby Soft and Heaven Scent are doing well, so she added Wild to the mix too.

Tres L.A. and Night Rhythm

Tres L.A. was one of the first colognes marketed exclusively to teens, and the buyers we talked to say it has had a mixed reception.

Tres L.A. is positioned as a daytime fragrance. Now Matchabelli is launching a companion cologne for nighttime use, Night Rhythms, and the reaction to this launch is very positive.

Most of the buyers surveyed said they believe that Night Rhythms will do very well.

In stores where Night Rhythms was already in stock, buyers reported they were getting good trial sales.

New launches and old favorites anchor men's fragrance sales

A combination of new product launches and established winners is driving the men's fragrance category, according to sources.

Stetson and Chaps

Stetson was still the strongest brand in men's. Chaps was still the number two brand in most stores, but some buyers say sales are a little slower this year than last. Jovan Musk for Men is selling very well, as is Jovan Musk for Women. Brut was said to be slow, but Brut 33 was generally described as doing OK.

Old Spice, most sources agreed, was definitely still the "number one" toiletry fragrance brand.

Although most sources said that Jovan Musk is selling very well in men's, many buyers added that the Chaps Musk is very soft. The Adidas line got several good reports from some of the bigger chains which basically just stock the Adidas cologne and after shave lotions.

One buyer said Adidas has found a niche among certain consumers and that while it's not as hot an item as Hero or Stetson, it does a good, consistent everyday business.

New launches

Hero was still the strongest of the new product launches as *Drug Stores News* was going to press. Many chains were going along with Matchabelli and promoting Hero heavily at Father's Day.

Several buyers said they were hoping the strategy would help them create more usage for the brand and for men's fragrances in general. "It would be great if we could break the dependency on Christmas," said one source. "Right now, that season either makes or breaks our year for fragrances."

Among other recent launches, most buyers said that Iron and Santa Fe and Night Spice were doing OK; a few said they were doing better than average or responding well to ad exposure. Almost everyone agreed that Dallas and McGregor were both very slow, and some buyers described their movement as "dead."

That Man and Aspen

At least two new launches are coming out later this year in men's: Revlon's That Man and Quintessence's Aspen.

Aspen was just being shown as we went to press, but buyers said the positioning of the brand sounded good.

Just about everyone we talked to liked the fragrance, liked the packaging and also felt comfortable that Quintessence, which apparently did all the right things for Dare, will support its new men's fragrance just as strongly.

Most buyers also felt That Man could do well because it is from Revlon, but many sources were worried that the bulk of the advertising is slotted for print rather than television.

"Coty's had tremendous success with the men's market and all of their advertising has been on TV, so this might be a mistake," said the buyer for one of the industry's biggest chains.

"It's definitely a mistake," said another buyer. "Just look at Hero and Santa Fe. They were heavily advertised on TV and it worked."

Growth in mass market men's fragrance* sales

(Retail sales in millions)

Retail segment	Dollar sales	% change vs. last year
Drug	$380	8.1%
Food	108	14.5
Mass merchandise	137	12.5
All mass market stores	$626	10.1

*after shaves and colognes

Source: Nielsen Marketing Research for the twelve months ended 5/31/89

Men's mass fragrances: Five year trend in market share shifts

(Drug versus food versus mass merchandise stores)

Year	Drug stores	Food stores	Mass merchandise stores
1985	58.4%	16.3%	25.3%
1986	61.0	16.5	22.5
1987	62.3	16.7	21.0
1988	62.3	17.5	20.2
1989	60.8	17.3	21.9

Source: Nielsen Marketing Research for the twelve month period ended 5/31/89

Men's fragrances sell better when displayed in their own highly-identifiable boutique area rather than shelf space in a cosmetics department. Men are comfortable buying in Gent's Shop at Taylor.

DrSN/Gallup Consumer Study: Fragrances

BEAUTY TRENDS

Chains vying for bigger shares of fragrance sales

The fragrance category is always a challenge for drug store operators. To realize its great potential, merchants must lure upscale fragrance consumers from department stores, where most fragrance purchases are made.

Competition for fragrance sales is heating up, with many sellers vying for this lucrative trade. Among them: department stores, specialty cosmetics chains, drug stores, supermarkets, mass merchandise chains, deep discounters, and non-retailers, including mail order, door-to-door sales forces and TV shopping channels.

Moreover, many buyers are concerned that fragrance consumption may be flat. Women don't seem to be using fragrances any more now than several years ago, and the number of women who use fragrances may not be growing.

Drug Store News believes that attracting these consumers, and playing to their motivations, will unleash the potential of the fragrance business. What does the average woman think about drug stores as a place to buy fragrances? Is she using these products more often, less often, or about the same?

When she does buy a fragrance, what motivates the sale? Price? A display? An ad? The brand's image?

And would she shop drug stores for fragrances more often if they carried more department brands, or if they gave her more service or a better selection? In mass brands, what are the best sellers? Do more women prefer Vanderbilt or Charlie? And does anybody even think anymore of naming an alternative designer fragrance as a favorite brand?

Since we felt buyers could better merchandise fragrances knowing answers to these questions and many others, we commissioned the Gal-

Continued on page 54

Upfront presentation in a service boutique adds to exposure, convenience and impulse sales of fragrances at Peoples Drug Stores in Alexandria, Va.

Gallup survey highlights

- Nearly half of all women who use a fragrance prefer a department store brand to a mass brand; less than one in 10 fragrance users say their favorite brand is a door-to-door brand like Avon.
- More than half of all fragrance users say they shop department stores "most often" for a fragrance. Just two out of 10 fragrance users say they shop some type of drug store "most often" when buying fragrances.
- Women shop a store "most often" because it's convenient and stocks the brands they want—including department store, prestige and popular mass brands.
- Women who say they don't shop drug stores for fragrances say it's primarily because they don't stock the brands they prefer. For one woman in 10 price is also a factor. Some women think drug store fragrance prices are too high.
- When buying a fragrance for a man, 20 percent of all women will choose a department store brand. When women shop for a mass brand, however, one in 10 will pick Old Spice. Brut, Stetson, English Leather, Mennen and Jovan Musk are also popular.
- Today, fragrances are used by 92 percent of all women, with 24 percent of all users saying they apply fragrances "more often" today than several years ago.
- In mass, the most popular brands are Charlie, Jovan Musk, Chloe, and Vanderbilt.
- The majority of women have kept their favorite brand for more than two years.
- On average, a woman today spends $24.42 on a typical fragrance purchase.
- More than six out of 10 women say they use mascaras, nail polishes and eye shadows.
- Half of all women use eye creams or anti-aging lotions, and more than a third use nail treatment products.
- Two out of every 10 women say they are using mascara more often today than several years ago.
- The most popular mascara brands are Maybelline and Cover Girl.
- Twenty-two percent of all women are using eye shadows more often today than several years ago.
- The most popular eye shadow brands are Maybelline, Cover Girl and Revlon.
- More women buy mascaras and eye shadows in drug stores than any other type of outlet, including department stores.
- Convenience and reasonable prices are what attracts the drug store shopper to mascaras and shadows.
- Not carrying the right brands and pricing too high are what causes drug stores to lose more mascara and shadow purchases.
- Six out of every 10 women plan their mascara and eye shadow purchases. Three out of every 10 women admit they buy on impulse.
- Two out of every 10 women who use eye creams and anti-aging lotions say they are using them "more often" today than several years ago.
- Door-to-door brands like Avon, department store brands such as Estee Lauder, and Oil of Olay are chosen by more women as their "favorites."
- Almost as many women today shop drug stores for eye cream and anti-aging products as shop department stores. A proliferation of new products for mass and increased visibility in mass stores are making the difference.
- Seventeen percent of all women who use nail polish say they are using it "more often" today than several years ago.
- Thirteen percent of all women who use nail treatments are using them more often today.
- Sally Hansen and Revlon are the most popular polishes with treatment ingredients.
- Revlon is the most popular fashion nail polish.
- Revlon and Sally Hansen are the most popular nail treatment brands.

Percentage of women who use fragrances

Using	All women respondents	18-24	25-34	35-49	50-plus
Fragrances	92.1%	97.5%	96.7%	92.3%	87.5%

Source: The Gallup Organization for *Drug Store News*

Comparing the average fragrance expenditure

(1987 versus 1989)

	All women	18-24	25-34	35-49	50-plus
1987 mean	$20.41	$20.39	$17.12	$20.76	$22.02
1989 mean	24.42	29.30	25.37	23.40	21.66

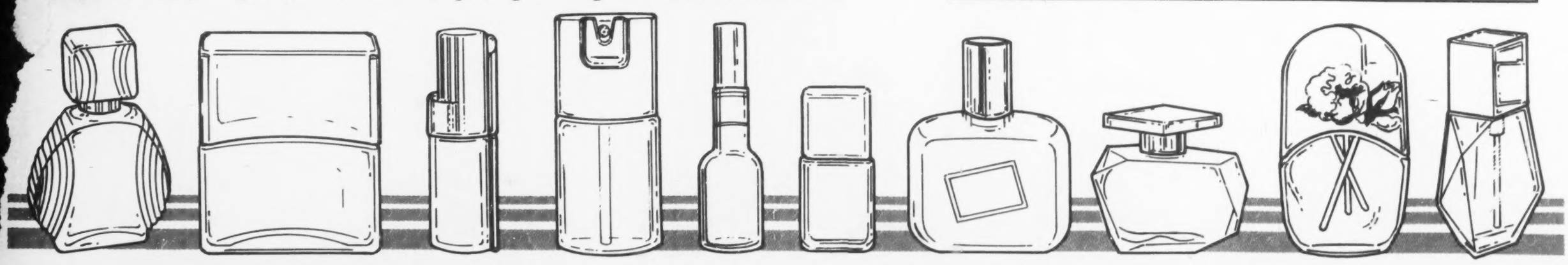
Source: The Gallup Organization for *Drug Store News*

Why consumers shop drug stores for fragrances

(Percentage of respondents who buy fragrances in drug stores)

Reasons	All women respondents	18-34	35-49	50-plus
Convenience	35.8%	32.7%	30.5%	44.4%
Reasonable prices	34.7	39.4	44.5	18.3
Discounts off department store brands are available	9.9	3.8	12.9	13.6
Variety/selection	9.6	16.3	5.4	7.5
Service assistance	2.4	0.9	—	5.7
Carry the "better" brands	1.5	1.9	—	2.7
Give gifts with purchases	0.7	—	—	1.9

Source: The Gallup Organization for *Drug Store News*



BEAUTY TRENDS | **DrSN/Gallup Consumer Study: Fragrances**

The how and why behind impulse and planned purchases

Half of all women who make a fragrance purchase do it on impulse. The rest plan to make a specific purchase.

Those most likely to make impulse buys are: young women between the ages of 18 and 24; women in households with annual incomes of less than $15,000; women living in the East; and non-white women.

Those most likely to plan purchases are: Midwestern women; women in households with annual income in excess of $25,000; and women aged 25 to 49.

Giving a woman a product sample is the best way to induce impulse purchases, although two women in 10 also buy on impulse because they see a fragrance in the store and remember the ad for it. If the ad made the fragrance sound attractive, they're willing to try it, Gallup findings showed. In the store, reasonable prices, attractive displays and recommendations from sales clerks can also help motivate an impulse sale.

In terms of consumer behavior, fewer women make planned purchases in drug stores than in department stores, and more women buy impulsively in drug stores then in department stores. This seems to have less to do with better merchandising in drug stores, however, than it has to do with image. More women simply think of department stores as the best place to buy fragrances, so they plan to make a purchase there.

Gallup findings show that drug stores have a much less positive image when it comes to fragrances. Only one in 10 women say they most often shop drug stores for fragrances. Five out of every 10 women, on the other hand, say they do shop department stores for fragrances.

. . . more women buy impulsively in drug stores than in department stores.

Again, the implication for drug store retailers is clear. To get women shoppers to buy more fragrances in drug stores, this trade class must develop a better image for fragrance departments. To do this, buyers must broaden selections to include more department store, prestige brands. Drug stores also must advertise these brands more, so consumers will think to shop them for fragrances. Perhaps most important, ads must run all year long, not just during gift-giving seasons such as Christmas or Mother's Day.

The way to get the fragrance consumer into the drug store, Gallup findings suggest, is to lure her there with an everyday, reasonably priced assortment of the most popular mass and department store brands.

Changes in how often women use fragrances

(Among women who are current users of perfume/cologne)

Users	More often 1987	More often 1989	Less often 1987	Less often 1989	The same 1987	The same 1989	Never 1987	Never 1989
All women	24.8%	24.0%	15.0%	16.1%	49.8%	51.8%	10.2%	7.9%
18-24	43.5	48.2	9.0	11.7	43.7	37.6	2.8	2.5
25-34	30.5	29.2	16.3	16.9	44.6	50.0	8.6	3.3
35-49	23.7	23.7	16.3	9.5	53.5	59.2	6.5	7.7
50 +	17.2	12.9	15.6	22.1	51.1	52.4	16.2	12.5

Source: The Gallup Organization for *Drug Store News*

Ratio of impulse to planned purchases for fragrances

(1989 breakout by age segment)

What motivated first purchase	All women respondents	18-24	25-34	35-49	50-plus
Planned	46.2%	35.6%	50.1%	52.3%	42.9%
Impulse	45.6	61.3	45.4	41.1	42.2
Don't know	8.2	3.1	4.5	6.6	14.9

Source: The Gallup Organization for *Drug Store News*

What motivates the impulse sale

Factors affecting impulse purchase	% of total respondents who made an impulse purchase
Tried a sample	35.0%
Saw it and remembered an ad that sounded good	19.4
Reasonable price	13.3
Display caught my eye	8.7
Salesperson recommended it	3.7
Packaging	2.9
The store advertised this brand	0.8
Don't know/other	17.2

Source: The Gallup Organization for *Drug Store News*

Competition increasing among drug chains to snare bigger share of fragrance market

Continued from page 53

lup Organization to conduct another exclusive survey of the American women's buying habits. This is *Drug Store News'* third annual survey with Gallup and the second to focus on fragrances and color cosmetics. Last year, we focused on hair, skin and nail treatments.

This year, we can make some comparisons to how women responded in 1987, when we did our first Gallup study on fragrances and cosmetics, and how they are responding today.

In fragrances, for example, we see a slight trend toward a broader market for fragrances. More women are using fragrances this year then were using them in 1987, and some women also appear to be using them more often.

Buyers say this may be because the fragrance industry has launched a number of exciting new brands in the past two years, both in department stores, with brands like Passion and Uninhibited, and in mass, with such brands as Trouble, Ex Cla Ma Tion! and Xia Xiang.

In this year's survey, 41 percent of the respondents named a mass market brand as their favorite fragrance, while 44 percent picked a department store brand; the rest said door-to-door or had no preference.

Brand loyalty

Women also seem to be fairly loyal to their favorite brands. Three out of four respondents said the brand they named has been their favorite for more than a year, with half saying it had been their favorite for more than two or three years.

So when women like a brand, it is clearly not easy to get them to substitute. Retailers and manufacturers should then think about advertising fragrances more as accessories, splashes of allure that complement different outfits, different moods and different occasions.

If retailers were to build endcaps that featured fragrances for daytime and nighttime wear, casual or dressy outings, they might be able to help manufacturers convince fragrance users to build a "wardrobe" of scents rather then relying on just one brand for every occasion.

Meantime, retailers also should try to stock as many designer brands as possible because, as Gallup discovered, 44 percent of all perfume and cologne users do name a department store brand as their favorite.

And drug store retailers should make a point of featuring and displaying the most popular mass brands which Gallup has also identified for us in this study.

Gallup also asked women who said they never bought fragrances in drug stores why they never shopped there. Then Gallup asked what drug store shoppers liked about their favorite stores' fragrance departments.

Also, since 18-year-old shoppers have different needs and wants from women 25 to 35 or those over 50 years of age, our report breaks out responses by age.

We hope the report is both useful and enjoyable.

Having a register at the cosmetic counter always helps sales. Women prefer the convenience of making quick in-and-out purchases.

BEAUTY TRENDS | **DrSN/Gallup Consumer Study: Fragrances**

Age shows impact on fragrance brand preferences

Very young women and women in their peak achievement years, 35 to 49, usually report their favorite fragrance is a department store brand. Conversely, more women aged 25 to 34 and over 50 say they prefer a mass market fragrance.

As one might expect, women who live in households with incomes in excess of $35,000 a year (56 percent) also tend to favor department store brands over mass brands as do women who live in three-person households (54 percent).

Among women who prefer mass market brands, Gallup findings show that the runaway favorite brand is Charlie, chosen by nearly 4 percent of all fragrance users and 9 percent of all mass brand users. Jovan Musk was chosen by 6 percent of all mass brand users as their favorite, and Chloe and Vanderbilt were picked by 5 percent of all respondents respectively.

Age, of course, has an impact on brand preferences. Less than 1 percent of all fragrance users aged 18 to 24 choose Charlie as their favorite. Instead 7 percent singled out Jovan Musk as the brand they most like to wear. Buyers think the new sexy commercials for Jovan may have inspired this trend.

Among the more sedate 25- to 34-year olds and the 35- to 49-year-olds, Jovan Musk is still popular, but no longer the outstanding favorite. Again that honor went to Charlie with Chloe and Vanderbilt runners up and Jontue scoring with women aged 25 to 34.

Interestingly, Charlie's popularity with women aged 35 to 49 is up significantly over 1987, while Vanderbilt's is down. Buyers attribute that to Charlie being given more advertising and display space, since Revlon has intensified support for all its brands at mass.

Only one alternative designer fragrance, Primo, was chosen as a favorite brand by our respondents—2 percent of all 18- to 24-year olds, and some women 50 and older.

Trés L.A., which is marketed to younger women, also scored with under-25 users, with 5 percent of this group citing a preference for this brand.

Only three brands scored as a brand of choice across all age groups: Charlie, Jovan Musk and Vanderbilt. Chloe almost made it, but fell out of the top choices for women 50 and older.

Le Jardin de Max Factor, like Trés L.A., scored as a favorite just with women 18 to 25.

Night Musk made it with every age segment except, surprisingly, those under 25.

Most respondents indicated they held onto their favorites for a long time. Even a slight majority of women 18 to 24 reported they have been using their favorite for more than a year. Four out of 10 users said the brand they named has been their favorite for two to three years.

Two out of 10 women 50 and older said the brand they named has been their favorite for over 15 years.

As many as one out of every six fragrance users don't buy fragrances for themselves. They receive them as gifts, and this is especially the case for women 50 and older or between the ages of 25 and 34. It's possible a lot of these gifts are being bought by children and grandchildren who perceive fragrances as a safe and attractive gift.

Women who do buy their own fragrances are spending more in 1989. The mean expenditure this year is $24 compared to $20 in 1987.

Upscale ambiance is a strong contributor to fragrance sales. Women like to buy fragrances in a department store-type atmosphere.

The most popular mass fragrance brands among women

(Among women who are current users of perfume/cologne)

Brand	% of all fragrance users naming brand as favorite 1989	1987
Charlie	3.6%	4.6%
Jovan Musk	2.4	1.8
Chloe	2.0	n.a.
Vanderbilt	2.0	4.7
Shalimar	1.6	1.5
Anais-Anais	1.6	1.1
Night Musk	1.4	n.a.
Forever Krystle	1.0	1.3
Emeraude	1.0	2.1
Lady Stetson	1.0	n.a.
Wind Song	1.0	n.a.

Source: The Gallup Organization for *Drug Store News*

The most popular mass fragrance brands among women 18-24

Brand	% of all fragrance users naming brand as favorite 1989	1987
Jovan Musk	6.7%	6.6%
Anais-Anais	3.8	4.1
Primo	2.1	2.0
Le Jardin de Max Factor	2.1	n.a.
Tres L.A.	2.1	n.a.
Chloe	1.6	n.a.
Charlie	0.9	n.a.
Vanderbilt	0.9	6.7

Source: The Gallup Organization for *Drug Store News*

The most popular mass fragrance brands among women 25-34

Brand	% of all fragrance users naming brand as favorite 1989	1987
Charlie	5.4%	5.1%
Jontue	3.5	2.3
Vanderbilt	3.3	4.8
Chloe	3.2	n.a.
Anais-Anais	2.9	2.6
Lady Stetson	2.5	n.a.
Jovan Musk	2.4	n.a.
Night Musk	1.6	n.a.
Coty Musk	1.5	1.5
Tabu	1.2	n.a.

Source: The Gallup Organization for *Drug Store News*

The most popular mass fragrance brands among women 35-49

Brand	% of all fragrance users naming brand as favorite 1989	1987
Charlie	2.8%	5.3%
Chloe	2.8	n.a.
Vanderbilt	2.7	6.4
Tabu	2.0	2.0
Jovan Musk	1.9	1.7
Sand & Sable	1.7	n.a.
Wind Song	1.6	n.a.
Night Musk	1.2	n.a.
Forever Krystle	1.2	1.2
Emeraude	1.0	1.4

Source: The Gallup Organization for *Drug Store News*

The most popular mass fragrance brands among women 50 and older

Brand	% of all fragrance users naming brand as favorite 1989	1987
Charlie	4.4%	4.2%
Shalimar	3.7	2.3
Night Musk	2.1	n.a.
Forever Krystle	2.1	1.3
Emeraude	2.1	4.7
Jovan Musk	1.3	n.a.
Vanderbilt	1.2	3.0
Anais-Anais	1.2	n.a.
Jean Nate	1.2	1.5
Primo	1.2	n.a

Source: The Gallup Organization for *Drug Store News*

BEAUTY TRENDS | DrSN/Gallup Consumer Study: Fragrances

One in four use fragrance 'more than ever before'

The good news about fragrances is that more women use them than the average chain drug store buyer might suspect from current sales.

According to our 1989 Gallup survey of 500 American women, 92 percent of all respondents report they use fragrances.

One out of every four women also say they are using fragrances more frequently today than they were several years ago, while just 16 percent report using them less.

Over four out of 10 respondents reported that a department store brand like Giorgio, Passion or Obsession is currently their favorite brand while 41 percent picked a mass brand like Charlie or Jovan Musk as their favorite.

There were some interesting variations by demographics. One out of 10 women 50 or older do not use fragrances, but among 18- to 24-year-olds, fewer than 3 percent said they are non-users.

Not surprisingly, more women in households earning less than $15,000 a year (12 percent) reported they never used a perfume or cologne, compared to just 5 percent of all women in households earning over $35,000 a year who reported being non-users of fragrances. However, Gallup feels the difference here is not great enough to make this a significant finding.

Household size considered

Household size has some impact on usage. One in 10 women living in a single or two person household reported themselves as non-users of fragrances.

Race also entered the picture somewhat. Ninety-seven percent of all non-whites reported they do use fragrances, compared to 91 percent of all whites. One out of 10 women living in the East said they do not use fragrances, compared to just one in 25 in the Midwest. Again, Gallup feels the differences in both these cases is not enough to be significant.

In terms of increased usage, there do seem to be significant statistical variations by employment, age, race and household types.

Gallup found that 30 percent of all women employed full time are more likely to report using fragrances more often today than several years ago; 32 percent of all non-whites reported more frequent usage; and 44 percent of all single women who are living with children reported the same trend.

Some food/drug combos have attractive fragrance presentations. Here a Smitty's cosmetician invites customers to sample a scent.

Profile of brand loyalty among fragrance users

Length of time respondents have considered a brand their favorite	Total respondents 1989	18-24	25-34	35-49	50-plus
Less than six months	5.7%	7.9%	8.7%	3.5%	4.4%
Six months to a year	3.6	10.2	2.2	5.1	1.1
1 year	10.3	17.7	16.1	12.1	3.0
2-3 years	23.9	43.8	25.4	27.6	10.5
4-5 years	19.8	20.4	21.3	15.8	21.9
6-8 years	7.3	—	10.5	7.2	8.7
9-10 years	10.0	—	7.7	10.1	14.3
11-15 years	4.2	—	0.7	6.1	6.6
More than 15 years	10.4	—	0.7	10.6	21.5

Source: The Gallup Organization for *Drug Store News*

The men's fragrances women buy most often

(Percentage of respondents who buy men's fragrances)

Brand bought most often	All women respondents	18-24	25-34	35-49	50-plus
Department store brand	19.7%	37.3%	21.0%	22.4%	10.6%
Old Spice	8.8	5.9	7.9	9.1	10.5
Brut	4.4	—	2.0	4.5	7.7
Stetson	4.1	5.1	6.5	4.7	2.2
English Leather	3.2	4.3	2.1	4.2	3.0
Door-to-door brand	2.6	—	2.6	3.2	3.4
Jovan Musk	1.6	3.5	0.7	2.1	1.3
British Sterling	1.2	—	1.3	0.6	2.1
Chaps	1.2	0.9	1.4	—	2.0
Iron	0.5	—	1.3	0.9	—
Pierre Cardin	0.5	2.3	—	0.8	—
Adidas	0.5	2.9	—	0.6	—

Source: The Gallup Organization for *Drug Store News*

How mass fragrance brands compare to prestige brands in popularity

(Among women who are current users of perfume/cologne)

Type of fragrance	Total respondents	Age segments 18-24	25-34	35-49	50-plus
Department store brand	44.3%	57.6%	39.6%	50.1%	37.8%
Door-to-door brand	7.1	2.9	2.0	8.1	12.0
Mass market brand	41.0	36.3	47.5	39.9	38.8

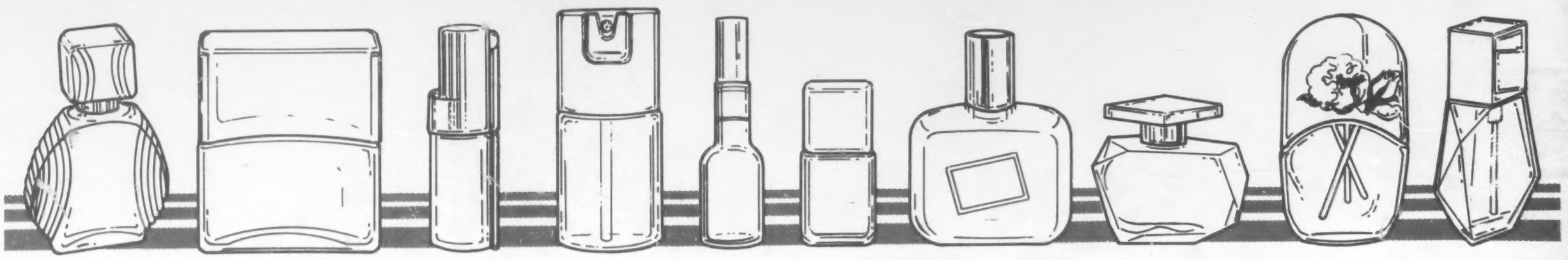
Source: The Gallup Organization for *Drug Store News*

How much women spend for their fragrances

(Average expenditure by age group)

Amount spent	All women	18-24	25-34	35-49	50-plus
$5 or less	2.6%	2.1%	2.2%	3.0%	2.9%
$5.01-$7.50	6.1	7.2	5.0	7.9	5.4
$7.51-$9.99	4.7	9.4	2.4	4.5	5.0
$10.00	6.6	5.6	4.7	11.5	4.9
$10.01-$14.99	4.7	2.3	6.7	3.4	4.3
$15.00	4.7	—	3.4	6.7	6.2
$15.01-$19.99	2.0	—	3.1	2.1	2.2
$20.00	6.3	3.8	6.7	5.7	7.9
$20.01-$24.99	1.6	—	2.7	2.2	1.2
$25.00	6.1	1.3	7.7	9.2	4.9
$25.01-$29.99	3.1	3.8	4.1	3.0	1.9
$30.00	8.0	13.3	8.6	4.1	8.6
$30.01-$39.99	4.1	9.5	5.0	3.4	2.2
$40.00	6.2	15.7	6.4	7.5	2.0
$40.01-$49.99	2.1	2.4	4.4	3.1	—
$50.00	2.3	5.4	2.6	2.7	0.8
More than $50.00	3.4	5.7	2.3	3.6	2.8
Never buy for self	15.4	5.2	14.0	12.6	20.2
Don't know	10.0	7.2	8.2	3.9	16.5

Source: The Gallup Organization for *Drug Store News*



BEAUTY TRENDS

DrSN/Gallup Consumer Study: Fragrances

Chains like Osco Drug are starting to hype fragrance sales in "opportunity months" like May and June by doing more in-store events such as make-overs, fragrance layering demonstrations, and product sampling.

Arbor Drug makes sure its customers know they carry the better designer brands at discounted prices. The strategy has helped fragrance enjoy double digit sales gains.

Dept. stores formidable fragrance market competitors

Many drug store fragrance buyers feel department stores are very tough competitors for fragrance sales. Results of *Drug Store News*' Gallup 1989 consumer survey bear that out.

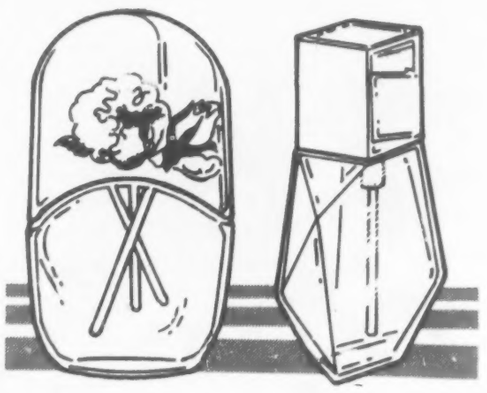
Half of all respondents who buy their own fragrances report that they "most often" buy in department stores. Just one in 10 say they buy their fragrances in conventional drug stores, and less

Continued on page 64

How women who use mass market fragrance brands rate their favorites

Brand	% of current mass fragrance users naming brand as favorite
Charlie	8.7%
Jovan Musk	5.9
Chloe	5.0
Vanderbilt	5.0
Shalimar	4.0
Anais-Anais	3.7
Night Musk	3.4
Forever Krystle	2.5
Emeraude	2.5
Lady Stetson	2.5
Wind Song	2.5

Source: The Gallup Organization for *Drug Store News*



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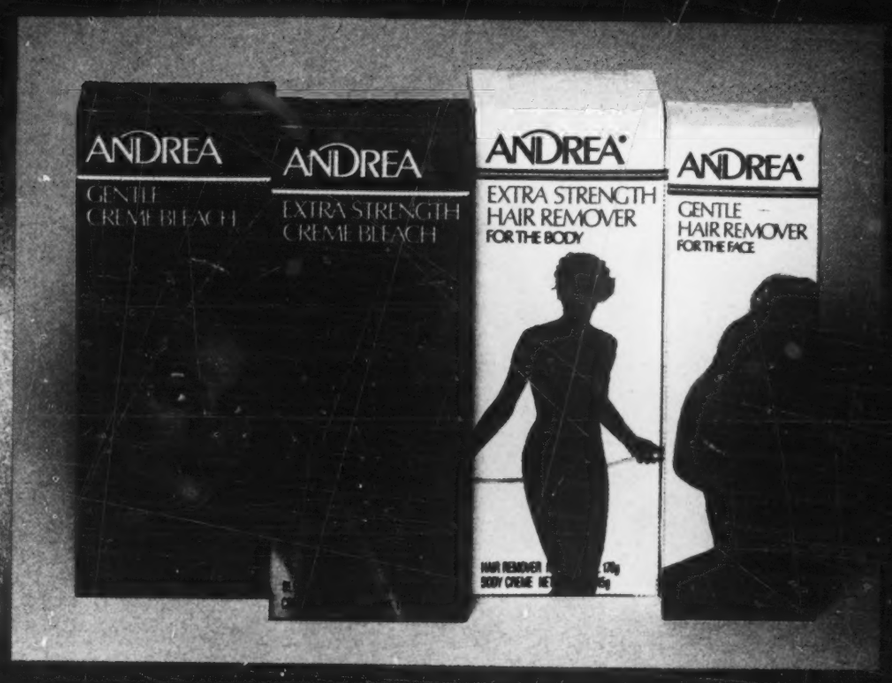

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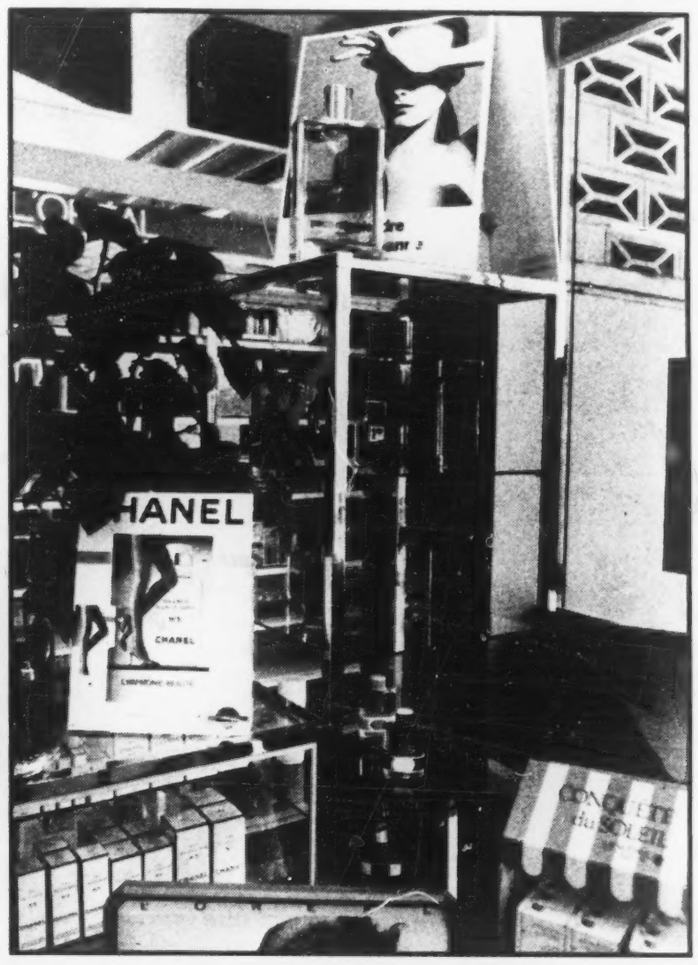


The more a drug store can mimic a department store's merchandising, the better for fragrance sales. Women appreciate the beauty of a clean, artistic display on a glass case.

Why women shop one type of store most often for fragrances

(1989 breakout by age segment)

Reasons	All women respondents	18-24	25-34	35-49	50-plus
Convenient/ easy to get to	33.5%	36.9%	22.9%	28.4%	43.4%
Only place that carries my brand	22.9	17.0	25.3	34.0	14.3
Best prices/ lowest prices	18.0	17.5	21.9	18.9	14.7
Nice place to shop/ attractive/ pleasant	9.5	10.2	8.4	5.5	13.2
Wide variety/ selection	5.9	7.5	8.7	7.5	1.5
Charge account	3.9	3.4	11.2	1.9	0.9
Give gifts with purchase	0.9	1.7	1.6	—	1.0
Service	0.7	1.4	0.9	1.0	—
Other/don't know	7.0	7.1	2.8	4.3	12.8

Source: The Gallup Organization for *Drug Store News*

Where women say they most often buy their fragrances

(1989 breakout by age segment)

Where they buy	18-24	25-34	35-49	50-plus
Department stores	55.9%	56.0%	51.4%	42.4%
Conventional drug stores	9.3	7.1	8.9	16.0
Discount dept. stores	13.1	10.6	13.1	8.2
Door-to-door salesperson	1.7	6.0	8.7	8.6
*Mass department stores	5.4	6.9	5.9	8.0
Deep discounters	—	4.8	4.8	6.3
Specialty cosmetic stores	3.1	3.3	4.8	1.0
Mail order catalogs	4.5	2.3	1.3	1.4
Supermarkets	2.2	0.8	–	0.9

*JC Penney, Sears, Montgomery Ward

Source: The Gallup Organization for *Drug Store News*

Shopping preferences

Continued from page 60

than one in 20 buy "most often" at deep discounters.

Women 50 and older, who have relatively less buying power, are more likely to shop drug stores for fragrances than any other age group: 16 percent compared to just 7 percent of all women aged 25 to 34 and 9 percent of all women aged 35 to 49.

Among women with the highest discretionary income, those living in households with incomes of $35,000 and more, less than one in 10 shop drug stores for fragrances. Almost seven in 10, however, prefer department stores for their fragrance purchases.

Six out of 10 women who are employed full time chose department stores as the place they "most often" buy their fragrances. Conventional drug stores capture one in 10 full-time employed women; deep discounters attract 4 percent as loyal fragrance shoppers.

Non-whites, heavier fragrance users than whites, also prefer department stores. Six out of 10 non-whites cite department stores as preferred places to buy fragrances; 10 percent said deep discounters and 7 percent said conventional drug stores.

Perhaps because of Walgreen's strong presence in the Midwest, more women give their fragrance business to conventional drug stores in that region: 15 percent, compared with 42 percent who named department stores and 3 percent who name deep discounters.

Convenience, brand availability and reasonable prices are the reasons most women gave for shopping their preferred stores.

Consumers who said they don't shop drug stores for fragrances said it is primarily because drug stores don't carry the brands they want (34 percent gave this response), prices are too high (9 percent) and drug stores don't stock the "better" department store brands (9 percent).

Only a few consumers complained that drug stores weren't convenient or were too crowded or unattractive to shop for fragrances. Only 2 percent missed being serviced; less than 1 percent cared about the unavailability of free samples or gifts with purchases.

It seems clear from the findings that if drug stores would stock a broader assortment of the better department store brands, they would appeal to a large base of customers. Also they should make certain they always have the most popular mass brands in stock and that they stay very competitive on prices, so they can maintain a good "value" image.

BEAUTY TRENDS

DrSN/Gallup Consumer Study: Cosmetics

Competition for the lucrative color cosmetics business is intense. Not only does the category generate large dollar volumes, it attracts the beauty-oriented woman, a prime consumer audience, as well. Here brand-name signs reinforce Osco's commitment to cosmetics/fragrances.

Why women shop drugstores for eye shadows and mascaras

Reasons	All respondents	18-34	35-plus
Convenient	44.3%	37.0%	49.0%
Reasonable prices	37.1	45.5	30.2
Variety/selection	10.6	12.3	9.9
Service	2.2	1.9	2.0

Source: The Gallup Organization for *Drug Store News*

Where women most often buy eye shadows and mascaras

(Percentage of respondents naming these stores)

Type of store	All respondents	18-24	25-34	35-49	50-plus
Conventional dept. stores	23.3%	16.1%	25.4%	22.6%	22.8%
Drug stores	20.3	32.6	18.5	16.3	20.9
Discount stores	17.9	15.5	22.4	19.5	12.9
Deep discounters	14.0	19.7	11.0	15.8	12.8
Door-to-door sales	8.1	—	7.5	12.3	7.9
Supermarkets	5.8	8.4	5.7	3.0	8.6
Specialty cosmetic stores	3.5	5.8	2.9	4.2	2.2
Mail order	2.5	—	4.5	1.6	2.0
Mass merchandise stores*	0.4	—	—	—	1.7

*JC Penney, Sears

Source: The Gallup Organization for *Drug Store News*

Percentage of women using select color cosmetics

	All respondents	18-24	25-34	35-49	50-plus
Mascara	68.6%	83.2%	85.7%	82.0%	43.5%
Nail polish	67.7	88.5	77.0	64.7	56.4
Eye shadow	64.8	81.4	83.6	80.7	37.4
Eye creams/Anti-aging lotions	50.1	54.5	43.8	55.6	47.4
Nail treatments	39.4	58.5	49.7	40.1	24.0

Source: The Gallup Organization for *Drug Store News*

Consumption trends fuel cosmetics' rapid growth

At least half of American women use color cosmetics, the exclusive *Drug Store News*/Gallup survey shows. Women are applying many of these products more often than in past years.

These consumption trends are evident in the rapid growth of eye and nail care products, which some drug chain buyers report are up 15 percent and more in their stores.

Mascara usage

According to Gallup, nearly seven women in 10 use mascara, including 8 percent who say they are applying mascara more frequently today than several years ago.

Women younger than 50 are more likely to use mascara than older women; more than eight out of ten use a mascara, twice the rate of the older group.

Women in households with annual incomes of $25,000-plus use more mascara than lower income groups. Indeed, nearly half of the women in $15,000-and-less households say they "never" use mascaras; one-fourth of women in $15,000-to-$24,999 households report the same non-use.

Half of the nation's unemployed women also say they don't use mascara, which only two in 10 working women report.

Caucasian women are more likely to use mascara than ethnic women. Half of non-Caucasians say they never use mascara, compared with three in 10 Caucasians.

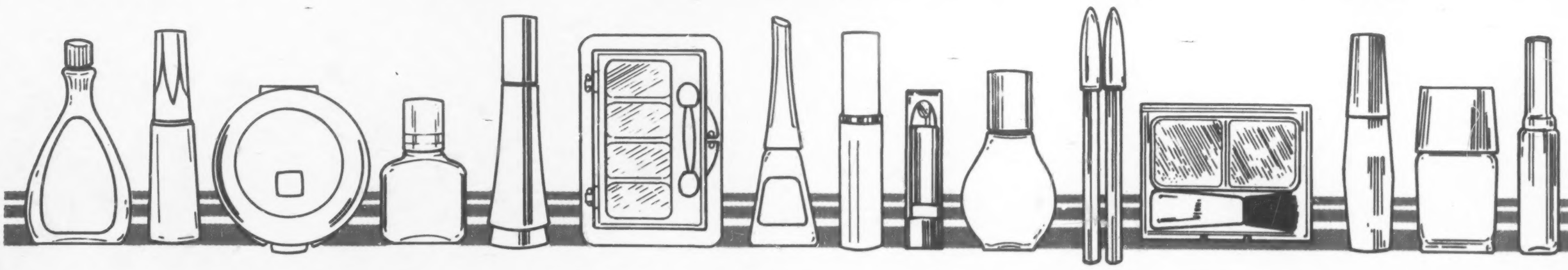
Eye shadow

Users of eye shadows follow a similar pattern. Eight out of 10 aged 18 to 49 use eye shadows, more than twice the rate of women older than 50. Within this prime age group, nearly one in seven say they are using shadows more today than several years ago.

Eight in 10 women in $25,000-plus households use eye shadow, compared with

Continued on page 69

Today's cosmetic shopper is fashion conscious. Buyers say one sure way to appeal to her is to bring in the latest, hot, new products as fast as possible, and hopefully ahead of the competition.



DrSN/Gallup Consumer Study: Cosmetics

BEAUTY TRENDS

Perry encourages its cosmeticians to "dress up" their beauty bull pens to catch shoppers' attention. Closeup photos of models form a mural above the area, further luring shoppers.

Changes in how often women use mascara

	More often		Less often		The same	
	1987	1989	1987	1989	1987	1989
All women	18.3%	7.8%	14.0%	17.2%	37.2%	43.0%
18-24	21.0	10.3	37.2	25.6	43.4	47.3
25-34	29.4	9.9	15.4	14.8	45.3	60.5
35-49	20.9	13.3	25.4	12.7	52.8	56.0
50-plus	8.6	1.6	9.9	17.3	21.2	23.4

Source: The Gallup Organization for *Drug Store News*

Changes in how often women use eye shadow

	More often		Less often		The same	
	1987	1989	1987	1989	1987	1989
All women	21.5%	11.6%	21.5%	18.6%	28.8%	34.2%
18-24	27.0	16.3	27.0	23.4	34.2	41.7
25-34	26.7	10.1	26.7	29.4	37.5	43.6
35-49	27.1	16.5	27.1	16.4	38.0	47.8
50-plus	13.6	7.1	13.6	12.5	16.5	17.0

Source: The Gallup Organization for *Drug Store News*

Use of eye and nail care products is on upswing

Continued from page 66

half the women in $15,000-and-less households.

Eight in 10 working women use eye shadows, compared with half of the nation's unemployed women.

Among Caucasian women, seven in 10 use eye shadows, compared with half of the nation's ethnic women.

Creams and lotions made especially to minimize creases around eyes and other aging lines are a fairly new development at mass and department stores. Still, 50 percent of respondents said they already use these products.

Among women in $25,000-to-$34,999 households, 57 percent said they use these creams and lotions, compared with 45 percent in $15,000-and-less households.

Slightly more than half of Caucasian women said they use eye creams, compared with 44 percent of the country's ethnic women.

Nearly as many American women use nail polish as mascara, the survey showed.

Indeed, more than two out of three women use nail polish, although the rate of usage declines in the older age groups. For example, 88 percent of 18- to 24-year-olds use nail polish, compared with 56 percent of women 50 and older.

Income also makes a difference. Seven women in 10 who earn $15,000-plus report using polish, compared with six out of 10 women who earn less.

Employment status caused no significant differences in nail polish use.

Ethnic women tend to use polishes a bit more than Caucasians.

Changes in how often women use eye creams & anti-aging lotions

	More often	Less often	The same
All respondents	19.3%	7.8%	22.9%
18-24	24.4	15.4	14.7
25-34	16.5	7.1	19.6
35-49	22.4	8.0	25.2
50-plus	17.4	4.5	25.6

Source: The Gallup Organization for *Drug Store News*

Changes in how often women use nail polishes

	More often	Less often	The same
All respondents	16.9%	20.8%	28.7%
18-24	39.3	16.3	32.9
25-34	15.6	32.6	27.5
35-49	14.5	21.2	28.1
50-plus	11.6	14.2	28.1

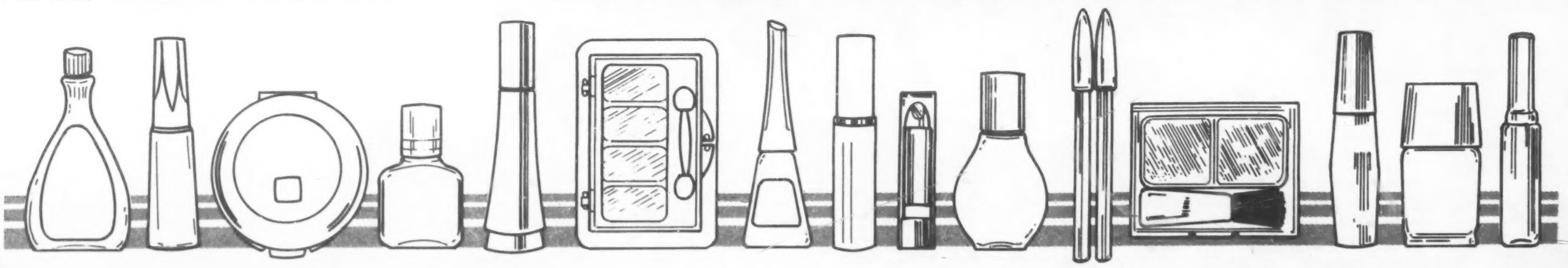
Source: The Gallup Organization for *Drug Store News*

Changes in how often women use nail treatments

	More often	Less often	The same
All respondents	12.6%	14.4%	10.8%
18-24	30.5	19.6	8.5
25-34	15.6	22.0	10.8
35-49	8.6	15.8	14.8
50-plus	5.9	6.8	8.3

Source: The Gallup Organization for *Drug Store News*

Skin treatment is a growth area in cosmetics. Half of those surveyed said they already use creams and lotions made to minimize aging lines; the same number said they use color cosmetics regularly.



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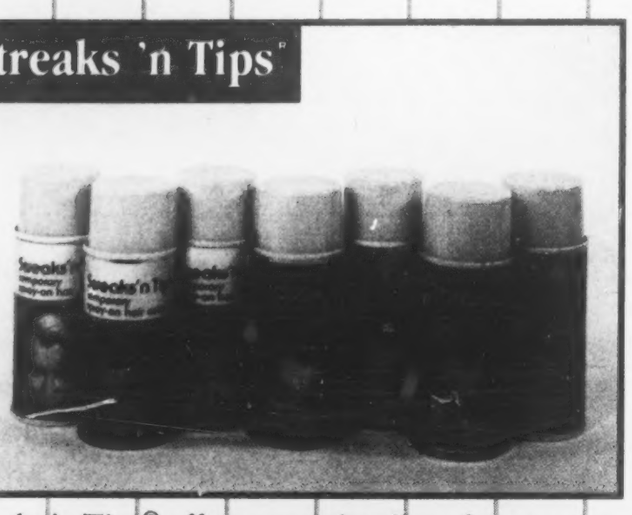

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BEAUTY TRENDS

Faring well against dept., discount stores:

Eye cream, anti-aging lotions are popular drug store items

The eye cream, anti-aging lotion category is fairly new to conventional drug stores and deep discounters, so it is encouraging to learn through Gallup findings that one in six women shop for these products most often in these stores.

Younger consumers from 18- to 24-years-old are most likely to shop a drug store rather than a department store for an eye cream. People in this age bracket are used to shopping drug stores for convenience, and are most likely to experiment with new types of products, such as Revlon's Anti-Aging lotions or Almay's Stress eye gels.

According to Gallup, 35 percent of all eye cream and anti-aging lotion users shop conventional drug stores for these products, compared to just 14 percent in the same age group who shop department stores. About 10 percent of users shop deep discounters for these products.

When assessing where women say they most often buy eye shadows and mascaras, drug stores fare well against department stores, with discount department stores not far behind.

More than one-third of respondents to the Gallup survey said they most often purchase shadows and mascaras at either a conventional or deep discount drug store, compared with about two in 10 who cite department stores, and another two in 10 who name discount stores.

An in-store beauty fair is one good way to call attention to a cosmetics department. Here a Harco drug cosmetician gives a free manicure to a customer.

Why women shop this store most often for eye shadows and mascaras

Reasons	All respondents	18-24	25-34	35-49	50-plus
Convenience	37.7%	33.7%	33.3%	34.3%	49.0%
Low prices	27.7	25.0	35.3	32.4	14.5
Only place that carries my brand	12.5	8.5	13.8	13.2	12.3
Variety/ selection	9.7	14.5	7.3	10.6	8.3
Service	3.8	6.4	1.4	2.8	6.4
Nice atmosphere	3.7	6.0	1.3	3.2	6.2
Charge account	1.8	—	3.8	1.8	0.9
Gifts with purchase	0.2	—	0.8	—	—

Source: The Gallup Organization for *Drug Store News*

Where women most often buy eye creams/anti-aging lotions

(Percentage of respondents naming these stores)

Type of store	All respondents	18-34	35-49	50-plus
Department stores	25.7%	20.9%	22.4%	31.8%
Drug stores	15.2	21.6	14.8	9.2
Door-to-door sales	14.6	16.5	16.5	13.1
Discount stores	10.2	10.1	12.6	9.0
Discount drug stores	9.5	5.7	15.0	7.7
Supermarkets	6.4	7.9	4.8	5.1
Mail order	4.6	5.7	1.0	7.1
Specialty cosmetic stores	3.7	4.3	4.8	2.5
Mass merchandise stores*	1.5	—	1.9	1.7

*JC Penney, Sears, etc.

Source: The Gallup Organization for *Drug Store News*

What motivated impulse purchases for eye shadows and mascaras

(Percentage of total respondents who made an impulse purchase)

Saw it and remembered an ad	24.6%
Reasonable price	16.1
Display	11.8
Packaging	9.6
Tried a sample	8.9
Store advertised it	8.0
Salesperson recommended it	4.6
Other/Don't know	18.7

Source: The Gallup Organization for *Drug Store News*

BEAUTY TRENDS | **DrSN/Gallup Consumer Study: Cosmetics**

Study pinpoints women's eye, nail care preferences

Gallup findings show that more women buy Maybelline mascara than any other brand. More than 30 percent of American women choose it. And this decided preference is evident across all age and income groups.

Among 18- to 24-year-olds, Cover Girl mascara has a devoted following, with three in 10 citing it as their preferred brand, compared with one in 10 overall. In this age group, Cover Girl is a close second to Maybelline.

Eye shadows

Maybelline also showed as the most frequently preferred brand of eye shadow, with Cover Girl a close second. Indeed, 18 percent of all women pick a Maybelline shadow as their favorite brand, while 13 percent make Cover Girl their brand of choice.

Among 18- to 24-year-olds, Cover Girl is ahead of Maybelline, cited as a preferred brand by 18 percent of that age group, compared with 16 percent naming Maybelline. Older women, however, show a preference for Maybelline, with its strongest following among 25- to 34-year-olds.

Eye creams Anti-aging lotions

Gallup findings show that more women prefer a door-to-door brand of eye creams and anti-aging lotions, even more than Oil of Olay, the most popular mass brand, and costlier department store brands such as Estée Lauder and Clinique.

Nail polishes

Nearly 70 percent of women surveyed say they use nail polishes, and half use polishes with nail treatments.

In answers given by polish-with-treatment users, Revlon and Sally Hansen are each named by 16 percent as favorite brands. Hansen is most popular among users younger than 35, and Revlon among the older crowd. Revlon is also the clear preference among women in households earning $25,000 a year or more.

Again, door-to door brands are strong in this segment. Maybelline is the fourth most frequently cited brand, at 6 percent, and Cover Girl is next at 5 percent.

In fashion polishes, marketed without treatment claims, Revlon is a clear-cut favorite, chosen by 20 percent of all women polled. One in 10 name a door-to-door brand as their favorite, and 8 percent select Cover Girl and L'Oréal respectively. Next are Maybelline Shine-On and Cutex, each named by 5 percent of polish users, and Sally Hansen, named by 4 percent.

Revlon has a following in all age groups, with its strongest loyalty among women 35 and older. The brand is also cited by nearly 40 percent of women in $35,000-plus households. Door-to-door brands score best among women 50 and older, and worst among 18- to 34-year-olds. Cover Girl is strongest among women 18 to 34, and L'Oréal among the 18 to 49 crowd.

Nail treatments

In nail treatments, 17 percent of all women polled say they prefer Revlon and 13 percent cite Sally Hansen. Among women younger than 35, one in five select Hansen; among older women, 21 percent say they prefer Revlon and 10 percent name Hansen.

Gallup findings show that women in higher income levels tend to favor Revlon over Hansen. Also, more Caucasian women prefer Revlon, and ethnic women prefer Hansen.

In the last few years, most drug chains have adopted the family set in cosmetics. Buyers say merchandising all Clarion color together, all Revlon together, etc. helps generate impulse sales of accessory items, an impulse purchase of a lip stick with a nail polish or vice versa, for example.

The most popular eye cream/Anti-aging brands

(Percentage of respondents naming brand as their favorite)

Brand	All respondents	18-34	35-49	50-plus
Door-to-door brand	15.9%	17.3%	16.8%	15.8%
Oil of Olay	11.9	8.6	15.9	11.5
Estée Lauder	7.9	4.3	6.6	11.9
Clinique	4.7	6.5	4.6	2.0
Ponds	2.9	2.2	4.8	2.3
Revlon	3.5	5.8	4.4	1.0
Almay	2.5	2.2	2.5	3.0
Moisture Eyes	1.2	1.4	1.1	—

Source: The Gallup Organization for *Drug Store News*

The most popular eye shadow brands

(Percentage of respondents naming brand as their favorite)

Brand	All respondents	18-24	25-34	35-49	50-plus
Maybelline	17.8%	15.8%	19.8%	18.4%	13.6%
Cover Girl	12.6	18.2	13.8	9.5	12.7
Revlon	6.0	—	8.1	7.0	5.9
L'Oréal	4.3	10.7	0.8	4.9	2.0
Estée Lauder	4.2	2.9	1.5	4.1	8.3
Clinique	4.1	4.5	3.4	6.4	1.6
Clarion	3.2	15.0	2.4	0.6	—
Aziza	3.1	4.5	3.3	4.0	0.9
Lancome	2.9	1.6	3.3	3.3	3.3
Merle Norman	2.4	4.6	3.2	0.7	2.8
Almay	2.2	1.1	—	1.9	6.6
Max Factor	1.7	—	3.1	0.7	2.6
Fashion Fair	1.3	3.2	—	1.4	1.3
Coty	1.2	—	—	1.0	4.0

Source: The Gallup Organization for *Drug Store News*

The most popular nail polish brands

(Percentage of respondents naming brand as their favorite)

Brand	All respondents	18-34	35-49	50-plus
Revlon	23.3%	17.7%	30.8%	24.5%
Door-to-door brand	9.2	5.9	9.9	14.1
Cover Girl	7.9	13.1	6.3	3.3
L'Oréal	7.8	9.7	9.9	1.9
Cutex Shine On	5.1	3.4	2.8	10.1
Maybelline	4.9	7.2	3.6	3.4
Sally Hansen	4.1	5.1	3.9	1.7
Wet 'N Wild	2.2	2.1	0.9	3.7

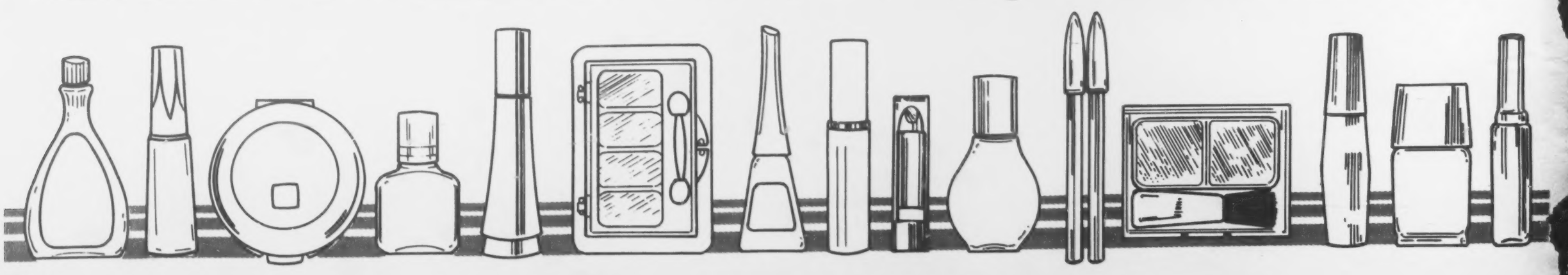
Source: The Gallup Organization for *Drug Store News*

The most popular mascara brands

(Percentage of respondents naming brand as their favorite)

Brand	All respondents	18-24	25-34	35-49	50-plus
Maybelline	36.7%	34.2%	35.8%	40.3%	35.0%
Cover Girl	12.4	29.9	8.8	10.7	8.7
L'Oréal	4.4	5.1	5.2	7.1	—
Estée Lauder	4.1	4.3	4.4	3.0	5.4
Clinique	3.8	2.8	3.4	4.4	3.0
Revlon	3.6	—	3.4	3.1	6.2
Almay	2.5	1.1	2.2	1.7	5.0
Max Factor	2.4	2.4	4.3	2.6	—
Lancome	2.4	—	2.3	2.8	2.8
Aziza Regular	2.0	—	1.9	1.7	2.6
Clarion	0.8	1.1	0.8	0.6	0.8

Source: The Gallup Organization for *Drug Store News*



TRENDS

Drug chains make most of core general merchandise

The survey underscores what chain executives and store-level people have known for a long time: GM enlists the creative side of drug store retailing. A constantly growing product base, and the ongoing fragmentation of the market into a host of consumer groups with special needs and interests, have given front-end merchandisers new opportunities and challenges.

Drug Store News *wants to thank the dozens of retailers, representing 8,000 stores, who took the time to respond to our 1989 General Merchandise Survey. We appreciate your cooperation.*

The nation's drug chains continue to make the most of their general merchandise categories, but merchandise managers approach front-end retailing with great care. In general, their enthusiasm for the vast array of GM products and services they offer is real, but tempered by healthy concerns about their stores' health-care image, shelf space allocation and competition.

That is the chief finding of the first annual general merchandise survey conducted by *Drug Store News* in late May and early June. The survey was conducted through hundreds of questionnaires and dozens of phone interviews to provide an in-depth look at how the chain drug industry approaches retailing beyond their core health and beauty aids business.

The stories in this special section trace the results of that effort. For research purposes, the survey broke the broad general merchandise arena into 11 major components: Stationery, including home-office and school supplies, greeting cards and books/magazines; Photo, including photofinishing, film and cameras; Housewares, including household chemicals, personal care, rubber/plastic storage items and microwave cookware; Consumer Electronics, including blank tapes, batteries and portable audio equipment; Hosiery; Toys; Video Rental; Seasonal; Sunglasses; Hardware; and Automotive Supplies.

In today's full-scale drug store, those categories can encompass half the total sales floor and provide the kind of one-stop shopping convenience vital to modern mass retailing. Some GM categories, like photo, greeting cards, school supplies and seasonal, are foundations of modern drug retailing, and nothing drug chains have done to refocus on their health- and beauty-care roots in the 1980s has diminished their importance or appeal.

Retailers calling these categories 'very important'

Hosiery	85.7%
Seasonal	81.8
Stationery	67.7
Photo	66.8
Sunglasses	63.6
Consumer electronics	54.9
Housewares	33.8
Toys	22.7
Video rental	9.1
Hardware	4.5
Automotive	4.5

Source: *Drug Store News* 1989 General Merchandise Survey

Nevertheless, drug chains stake their positions in general merchandise with caution. Faced with the danger of diluting their core health-care images, they often walk a thin line between a too-broad and too-narrow focus, between sacrificing their pharmacy image on the one hand and their added profits on the other. Many of the survey respondents took the time to give thoughtful written comments about the special problems and opportunities of general merchandise retailing.

"We haven't forgotten we're a drug store," wrote one vp-marketing, echoing the comments of many. "There is a greater degree of risk involved in purchasing general merchandise, but the rewards can be greater than basic H&BA if approached with a degree of caution."

"H&BA products are truly the 'turf' of the drug store," another executive wrote. "The GM product should be positioned for variety and to convey a broad assortment. It should not try to take the place of the H&BA emphasis."

At his chain, he wrote, GM is "positioned to complement the drug store image."

"Big-ticket sales go to the discount stores," wrote another respondent. "Variety and convenience seems to be our chain store niche."

One merchandiser wrote that GM "makes the store more appealing—a more pleasant shopping trip," while another complained that "everyone is in it" and gross margins had suffered as a result. Several respondents complained of having too little space to carry a complete assortment or compete with the big discount chains effectively, and a few

Continued on page 82

TRENDS

General Merchandise Survey

How retailers rank hard goods on key performance criteria

SALES GROWTH:

1st—Greeting Cards *
1st—Photofinishing *
3rd—Home Office
4th—School Supplies
5th—Seasonal

MARGINS:

1st—Greeting Cards
2nd—School Supplies
3rd—Photofinishing
4th—Home Office
5th—Batteries

GROSS PROFIT DOLLARS:

1st—Greeting Cards
2nd—Photofinishing
3rd—School Supplies
4th—Seasonal
5th—Home Office *
5th—Film *

VENDOR SUPPORT:

1st—Greeting Cards
2nd—Photofinishing
3rd—Film
4th—Batteries
5th—School Supplies

CHAIN PROMOS:

1st—Photofinishing
2nd—Film
3rd—Household Chemicals *
3rd—School Supplies *
5th—Batteries

SPACE EFFICIENCY:

1st—Photofinishing
2nd—Film
3rd—Greeting Cards
4th—Batteries
5th—School Supplies

EXCITING NEW PRODUCT INTROS:

1st—Seasonal
2nd—Greeting Cards
3rd—Personal Care
4th—School Supplies
5th—Toys

*Tie
Source: Drug Store News 1989 General Merchandise Survey

Drug chains make most of core general merchandise

Continued from page 81

said they are forced to take too many markdowns on leftover inventory.

"With limited real estate and promotional space, something must give," wrote one general merchandise manager.

Nevertheless, most chain merchandisers polled by *Drug Store News* are staying with as broad a mix of GM as possible without sacrificing their core H&BA business, and most don't seem worried that promoting GM aggressively might diminish their health-care image.

'With limited real estate and promotional space, something must give.'

The majority of respondents rated photofinishing and film, greeting cards, school supplies, batteries, seasonal items and other GM departments as "very important" to the overall sales mix. They promote them heavily, take advantage of manufacturer promotions and co-op dollars, and key in on new product entries as aggressively as their precious shelf space allows.

Merchandisers also give high marks to some GM categories for gross margins, gross profit dollars, sales growth and vendor support. Greeting cards won out in all four of those areas, while photofinishing was tops in terms of space efficiency and chain promotional activity. Seasonal products were given top honors by survey respondents for new-product activity.

The survey underscores a fact that chain executives and store-level people have known for a long time: along with cosmetics, GM enlists the creative side of drug store retailing. A constantly growing product base, and the ongoing fragmentation of the market into a host of consumer groups with special needs and inter-

Continued on page 83

GE IS THE LIGHT THAT TURNS MERCHANDISING

GE's packaging and merchandising give you more profit per square foot.

Lighting is one of the most profitable categories in your store. And GE light bulbs are by far the biggest sellers in the light bulb category. Those are the facts.

But GE maximizes your sales and decreases labor costs with state-of-the-art merchandising. Plan-o-grams increase sales productivity and can be tailored to fit the individual needs of your store.

Displays, like our Soft-White Pallet Pack, can be rolled off a truck and onto your floor to create instant sales. And our packaging is as eye-catching as it is informative.

General Merchandise Survey

TRENDS

Does aggressive promotion and display of general merchandise diminish your health and beauty care image?

75% No

12.5% Yes

12.5% Don't Know

Source: *Drug Store News* 1989 General Merchandise Survey

Are your general merchandise sales efforts more or less aggressive than last year?

37.5% Same

29.2% Less

20.8% More

12.5% Don't Know

Source: *Drug Store News* 1989 General Merchandise Survey

Continued from page 82

ests, have given front-end merchandisers new opportunities and new challenges.

Thus, while the pharmacy and health care side of the drug store have undergone transformations, their basic outlines have remained fairly intact and recognizable. Not so with many of the product categories denoted by the "general merchandise" label.

The photo department, for instance, has become a major focus of many drug stores as they compete aggressively for the growing photofinishing business. Many chains are marketing fast, high-quality photoprocessing and customer service to stay one step ahead of mini-labs, supermarkets and other competitors; some have also waded into the one-hour photofinishing game themselves.

Compare this with the drug store photo "departments" of yesteryear, which often consisted of a self-service drop-off box for film developing.

A big transformation has also swept the drug store stationery aisles, where a new and booming market in home-office supplies has carved out significant and well-deserved shelf space. Most chains have responded well by adding a broad range of office supplies, often including computer products, to complement their school supply sections.

Some, including Perry Drug Stores, have gone further, adding a whole section devoted to bulk office supplies for the serious business consumer. And the level of marketing sophistication continues to grow, as chains learn to distinguish office supplies clearly from school products and stationery.

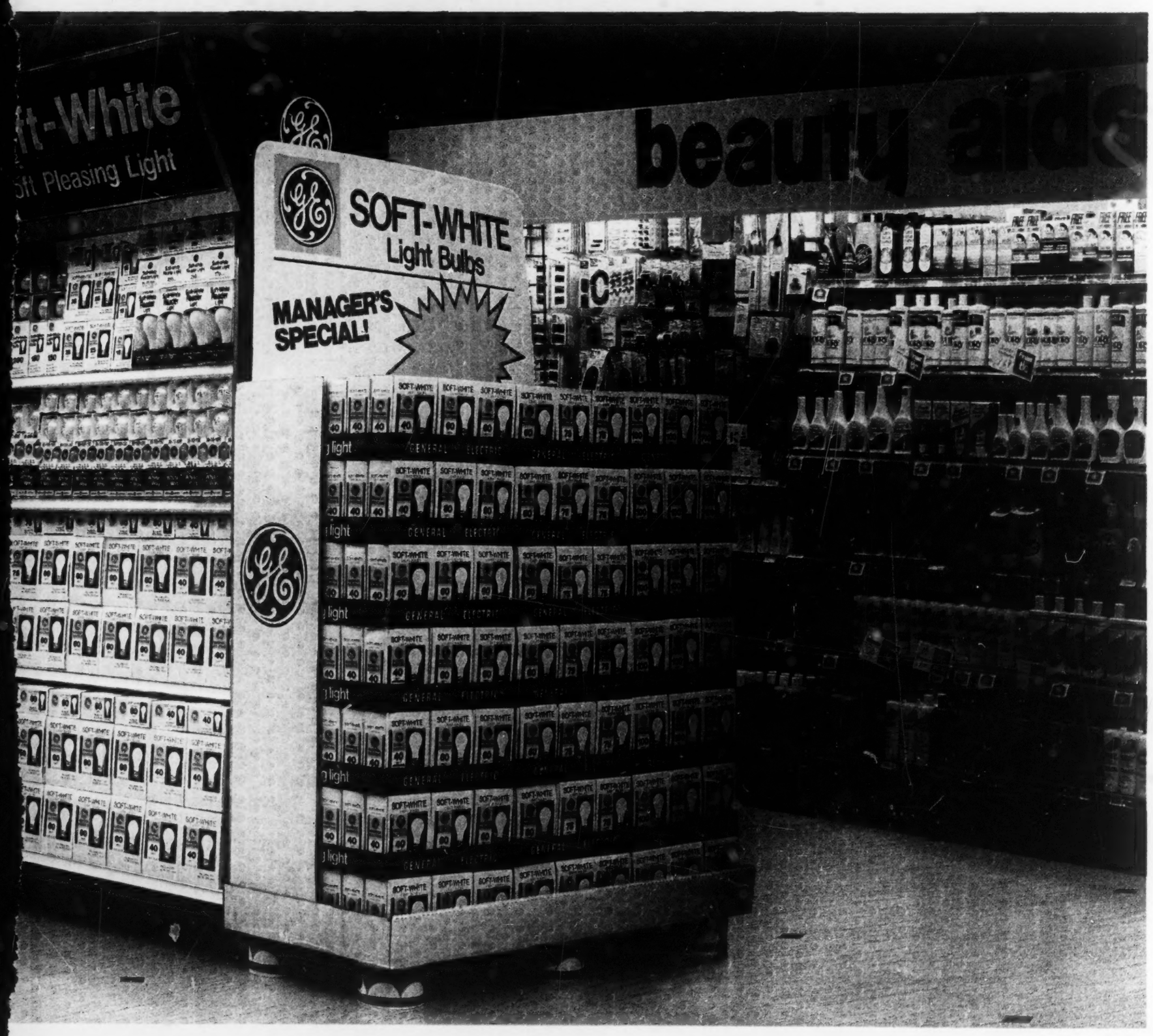
Other examples of big changes at the front-end abound. The home video revolution has created a new section for blank videocassettes and supplies, and drawn many drug chains into the movie rental business as well. The greeting card department continues to grow in size and importance, as that industry evolves into a highly segmented, multibillion-dollar business rife with niche marketing opportunities.

Compare this with drug store photo 'departments' of yesteryear, which often consisted of self-service drop-off boxes for developing.

The growing role of consumer electronics has also given a big lift to batteries and portable audio equipment in drug stores; batteries have become one of the most heavily promoted and aggressively merchandised front-end categories in the store. Seasonal products have made growing contributions to the bottom line as chains have become more sophisticated in their import programs, often going direct to the Orient for a better deal.

Housewares, meanwhile, continue to perform steadily in the nation's drug stores. Sunglasses remain a high-profit, high-impulse fashion center. And hardware and automotive supplies, while scaled back in some chain drug stores, remain a contributing part of the mix and an important promotional tool. Chains are using improved sales data from new POS systems to fine-tune their mix in these areas, and are going with a trimmed-down selection of top sellers.

INTO PROFIT.



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Chains work towards creating a real identity in home office

Nearly seven in 10 drug store operators plan to invest space, time and dollars in stationery's home office category, according to findings of *Drug Store News*' 1989 General Merchandise Survey. Not surprisingly, 50 percent of chain drug buyers, general merchandise managers and vice presidents of merchandising and marketing ranked home office as a "very important" area to be developed.

Some drug chains are making more of an effort to develop high identity sections for home office. Little wonder: in the 1988 National Work-At-Home Survey conducted by LINK Resources, home-based businesses in the United States numbered 9 million. The home office market reached $5.7 billion last year, and LINK Resources estimated that the average household business spends $300 annually on supplies, excluding consumer electronics and telephone information services.

By broadening and upgrading these sections, drug chains are better able to compete with super-office supply stores such as Staples and Office Depot. However, drug chains have the upper hand, because along with home office supplies, they offer a variety of products in one convenient location.

Jack Mitchell, general merchandise buyer for Malone & Hyde's drug division, told *Drug Store News* that even though his chain competes with these stores, "In our market, we offer better retail price points than the office supply people."

This year, Malone & Hyde tried to increase the space it gives to its home office assortment, but since not all stores merchandise this category, Mitchell said they must keep the mix as basic as possible. That means home office takes up eight to 12 feet in the stores, and is adjacent to school supplies.

The home office category is "jumbled in" the 24-foot stationery aisle at LaVerdiere's, reports Mike LaVerdiere, executive vp. But the Maine-based chain is now attempting to create home office as a separate category at all the stores.

"We hope to have all these sections completed by this year's BTS season," he said.

The plan calls for pulling out all the products mixed into the stationery/school supplies section (home filing systems, plastic trays, desktop organizers and computer paper) and placing them in a separate four-foot section.

So far LaVerdiere's hasn't advertised home office separately; although the chain's advertising plan is set for this year, LaVerdiere said the chain will probably advertise home office separately after Christmas.

In North Carolina, Kerr Drugs recently initiated a chainwide "Right Product, Right Price" in-store promotion. Dan McAlister, stationery buyer, explained that the program offers 30-day temporary price reductions.

The chain works with vendors to determine exactly which products will be reduced, enabling the chain to earn better margins on a 30-day price reduction than on a weekly ad. July promotions will offer a reduction on writing instruments from the stationery/home office/school supply section at Kerr.

McAlister said Kerr's home office business has really "taken off." Last year the chain added an eight-foot Mead Cambridge home office section to the mix, which proved

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Top two sales drivers: STATIONERY

Home office
a. Strong in-store presentation
b. Broad assortment

Greeting cards
a. Strong in-store presentation
b. In-store service

School supplies
a. Broad assortment
b. In-store service

Source: *Drug Store News* 1989 General Merchandise Survey

Where retailers plan to invest in the next two years

STATIONERY	%
Home office	61.9
Greeting cards	47.6
Books/magazines	23.8
School supplies	14.3

Source: *Drug Store News* 1989 General Merchandise Survey

Drug chains continue to expand home office, with many creating a high identity for the section through separate fixturing and a mix that includes legal pad multipacks and desktop organizers.

By many measures, cards are No. 1:

Card depts. move to front of stores; promos, alternative cards add spice

Retailers voted greeting cards No. 1 in certain key performance criteria in *Drug Store News*' 1989 General Merchandise Survey. The areas were sales growth, margin, gross profit dollars and vendor support. Not surprisingly, more than 85 percent of merchants called greeting cards "very important" to their mix.

Drug chains are moving the greeting card department closer to the front of the store because they recognize the performance of this high-margin, high impulse category. Other growth strategies: linking greeting card sales with special in-store promotions, and catering to fans of alternative greeting cards.

Buyers felt that alternative cards are increasingly popular because they fill a non-occasion need for people to keep in touch, and many people prefer to send cards rather than write letters.

At LaVerdiere's in Maine, greeting cards run 60 feet by an entrance or exit aisle for maximum visibility. The assortment is exclusively Ambassador special occasion and alternative cards.

To help promote grand openings, the chain may offer a two-for-one discount, said Mike LaVerdiere. Also, the chain includes the category in each of its 10 circulars, tying in advertising with every major holiday "from Secretary's Day to Easter," he said.

In Indiana, Karen Butler, greeting cards buyer for the 18-store Keltsch Bros. chain, always tries to promote the 200-foot greeting card aisle.

"We use in-store signage and make sure we always have a Hallmark sign posted on every front window of our stores," she said. Keltsch Bros. merchandises Hallmark, Blue Mountain, and Helen Steiner Rice cards. "Everyone knows we carry them," she said.

At one of its stores, Keltsch Bros. recently ran an in-store promotion and gave away a free postage stamp with every five greeting cards purchased. Butler said it was successful, and the chain will consider doing it again.

Butler said Hallmark's "To Kids With Love" line of greeting cards has done well. "For kids age six to 16, it's a really good card for working moms to reinforce to their kids that parents can stay in touch with their children's feelings," she said. She noted that Hallmark's Garfield line is too new to gauge its popularity.

At Genovese in New York, greeting cards take up from 38 to 200 feet, depending on store size and local neighborhood demand. Chainwide, the 90-store operator merchandises American Greetings, Gibson and Hallmark. Cynthia Stahley, stationery/greeting cards buyer for the chain, said "It's a priority department for us, and we're always looking for new ways to promote it."

For instance, during the grand opening of a new store, the chain may promote "Buy one, get one free" for greeting cards for a two-week period. "We've also done some value-added promotions," Stahley said, such as giving away a gift with purchase of an assortment of greeting cards. At one store, Genovese raffled off four $25 greeting card shopping sprees to boost sales in a particular area. This tactic exposes women shoppers to giftwrap and bows with which they might not normally be familiar.

Stahley said she is evaluating new card lines, such as Recycled Paper and Pop Shots (cards that pop up to become 3-D scenes).

Chain drug buyers say alternative cards are gaining market share because many people prefer sending cards to writing letters.

Mead

CAMBRIDGE BUSINESSWEAR

AS IMPORTANT TO THE WAY YOU LOOK AS THE CLOTHES YOU WEAR.

Broad assortment is key to success in school supplies

School supplies may be out of the stationery spotlight for now, as retailers focus on home office. But the category retains its stature as a virtual year-round performer, with volume peaks during August to mid-September, second semester, and tax time periods.

School supplies are a "very important" category, said more than 77 percent of chain drug executives polled for *Drug Store News*' 1989 General Merchandise Survey. More than 26 percent said that a broad assortment contributes significantly to its sales growth.

At Michigan's Arbor Drugs, senior buyer Mark Nakamura will broaden the chain's BTS mix of roll bags and knapsacks.

As chains branch out into broader BTS offerings, they will still merchandise the category's essentials: notebooks and loose-leaf paper.

"They are the bread and butter of the stationery business," said Cynthia Stahley, stationery/greeting card buyer for Genovese. This chain counts on both home office and school supplies to reap August back-to-college sales.

"In July through mid-August, college students start looking for upgraded products to reorganize their desks and computer work areas," Stahley said.

Mike LaVerdiere, executive vp at LaVerdiere's, said coupons for school supplies are offered in BTS store circulars. During BTS the chain may run a follow-up ROP ad that will also offer a coupon for a school supply item.

Good relationships key

Kerr buyer Dan McAlister said there is a good relationship between Kerr store managers and school administrators. "During back-to-school, some managers may even call on schools directly to see what their needs are," he said.

Store managers at Kerr can also order school products directly from the warehouse during this period, McAlister said.

Home office hot

Continued from page 84

to be successful. He said the chain will play up that area again this year. Stationery and home office is given a total of 84 feet at Kerr, with 28 feet going to notebooks, paper, pens and crayons, and the rest of the aisle going to office and business supplies.

Last month Kerr allocated two feet of the stationery aisle to computer supplies, such as computer paper, floppy disks and diskette cases. "It's not a very large section, but we want to experiment to see what kind of reaction we get to it," McAlister said.

Multipacks of three and five legal pads continue to be a popular home office supply item at Kerr. McAlister was quick to note that even though Kerr competes with Office Depot in Charlotte, N.C. and privately owned office supply stores in Raleigh ("and the Wal-Marts and K marts"), the drug chain tries not to buy large quantities of merchandise as these other stores do. Kerr won't even sell 12-pack legal pads.

In desk accessories, McAlister said Rubbermaid, Rolodex and W.T. Rogers do a good business. He noted that even though desk accessories in fashion colors were the rage in these products (and still may be), Kerr shoppers are now leaning towards more conservative colors, like greys and almonds, to accessorize their desks.

Genovese is committed

Home office was developed as a section at Genovese as early as four years ago, when Cynthia Stahley was housewares buyer for the Long Island chain. She said Genovese knew even then that the needs and the sales were there.

"When we started, the [home office] mix was very basic—we didn't go out of our way to stock computer paper and diskette holders. Then home office workers were more concerned with space efficiency," she said.

"And, at the time, stores in some areas were near rental homes, and consumers were looking for rent receipt books, which were part of an extension to our stationery department," Stahley said.

Now, with Stahley buying stationery and greeting cards for the chain, Genovese devotes 24 feet to home office, part of a 56-foot stationery section. "We've narrowed down our mix a bit, and instead of carrying three or four card indexes, we'll carry two of the best brands in black only, a color most people prefer," Stahley said.

Staples, a Genovese competitor in the home office category, has actually helped to educate consumers about the widespread availability of home office products, Stahley said. "They've highlighted the stationery to the general public and told them they no longer have to shop at office supply stores and warehouse clubs for home office," she said.

If you read the Allen Pen superposter in the next issue, you will learn that:

●**54%** of drug store retailers surveyed by *Drug Store News* forecast that home office supplies will grow **16.8%** in 1989.

●Stationery, as a year-round business meeting the needs of students and businesspeople, generates **40%** to **45%** gross margins at drug chains and discount department stores.

●Retailers who use specialty distributors can nearly double their stationery ROI compared to buying direct, receiving at a warehouse and redistributing to stores.

●As compared to a multi-line rack jobber who is usually spread too thin throughout the store with categories, Allen Pen can guarantee the store triple the volume in the same space allotted.

●As opposed to some paper converters who have introduced additional imported categories of school supplies to enhance their service program, Allen Pen has found that when a retailer changes from that factory to Allen Pen the results have more than doubled in volume.

ALLEN PEN COMPANY
159 Wells Avenue
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617-244-9810
1-800-666-9810

BEST COPY AVAILABLE

Eckerd Drug is leading the charge of drug chains into on-site, one-hour photo labs. The mini-lab at the Eckerd unit in Largo, Fla. is located in a corner between picture frames, snack food and beverages.

Photofinishing keys are speed, quality

The photofinishing business has become simple enough: Compete aggressively or die.

That maxim was never more true than today, when one-hour mini-lab operators have gobbled up an estimated 30 percent of the photoprocessing market in dollar volume. Other retailers, including drug, supermarket and discount store chains, are fighting a pitched battle for the huge remaining chunk.

According to the Photo Marketing Association (PMA), 18,000 mini-labs will be operating in the United States by the end of this year, up from just 600 at the beginning of the decade.

With Eckerd Drug leading the charge, many chains are beginning to move into on-site, one-hour labs themselves. Examples include SupeRx of Arizona and Genovese.

The total market pie is enormous, however, and drug stores are holding their own in the photofinishing game. They remain the leading outlet of choice for photoprocessing consumers, according to the PMA, with 28.3 percent of U.S. households rating drug stores their top choice for standard photo processing.

By comparison, mail-order was rated the leading outlet by 18 percent of households, followed by discount stores, supermarkets, one-hour labs and camera stores.

Indispensable foundation

Chain drug merchants themselves rate photoprocessing as one of the indispensable foundations of the drug store business. In *Drug Store News*' recent survey of general merchandise managers, photofinishing was ranked a "very important" part of the mix by 91.3 percent of the chain respondents—more than any other general merchandise category.

The relative importance of the segment is underscored by the successful marketing efforts of many chains. Walgreens, for instance, calls photofinishing its "strongest customer draw" after pharmacy in its recent annual report.

At Perry Drug Stores, harder-hitting promotions and the decision to make the photo department one of the

Continued on page 90

Where retailers plan to invest in the next two years

PHOTO	%
Photofinishing	71.4
Film	42.9
Cameras	14.3

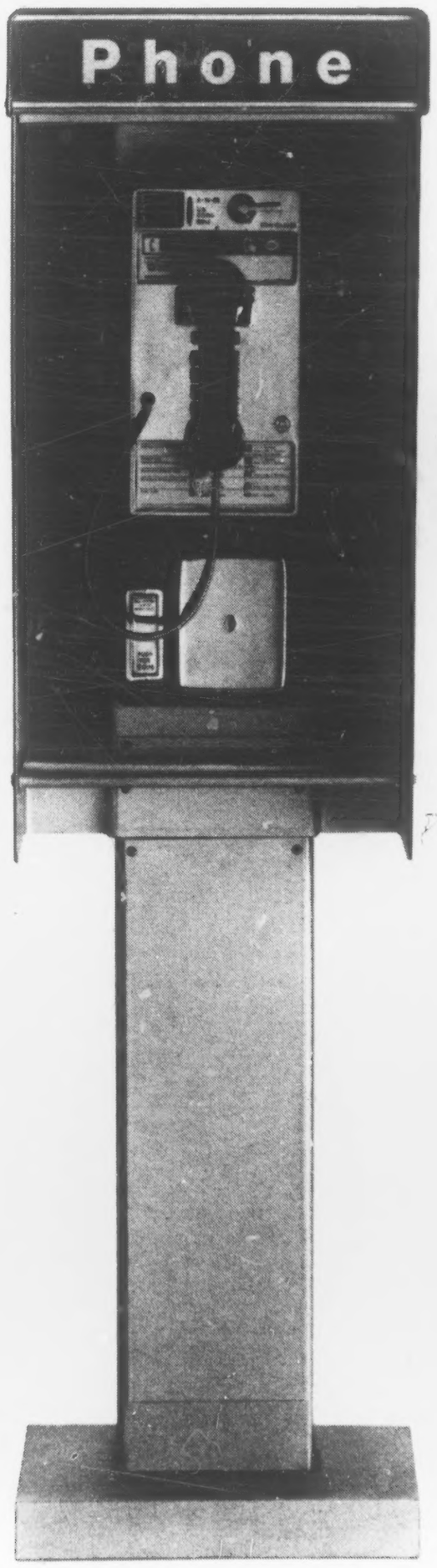
Source: *Drug Store News* 1989 General Merchandise Survey

Top two sales drivers: PHOTO

Film
a. Heavy manufacturer advertising
b. Sharp pricing
Photofinishing
a. In-store service
b. Extensive chain promotions

Source: *Drug Store News* 1989 General Merchandise Survey

They look the same, but one will give you less static.



One of these phones has AT&T long distance service. That's the phone you won't hear about from your customers. And, that's the service to choose for your public telephones.

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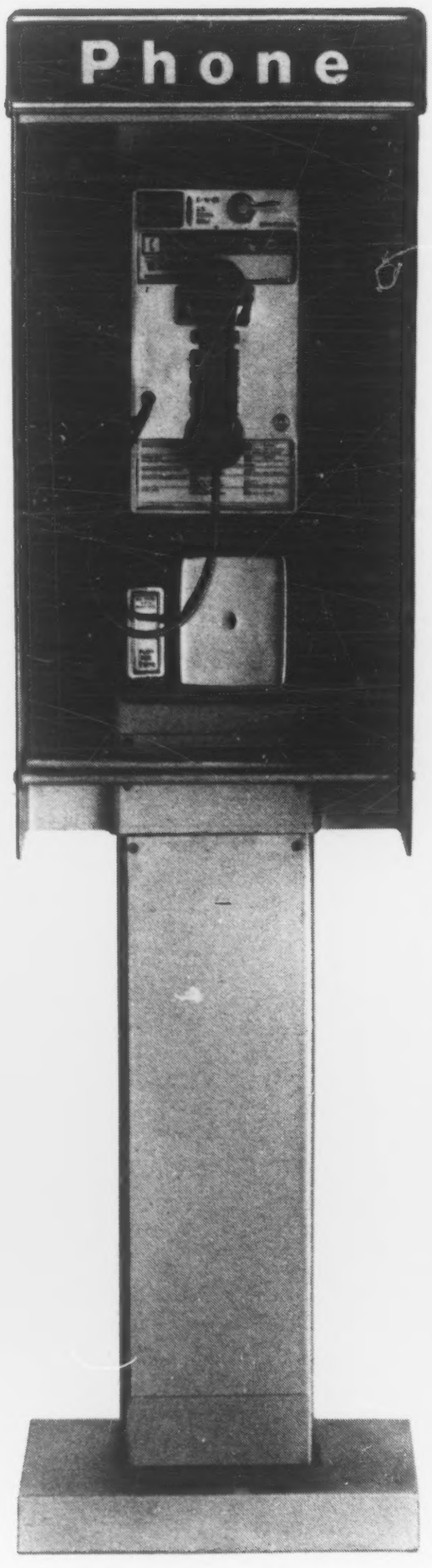

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Amateur shutter boom lures new film entries

The boom in amateur 35mm photography continues to spur new product introductions in the film category, as manufacturers exploit niche marketing opportunities.

The new entries are forcing retailers into some new space management decisions, but with film sales up nearly 11 percent in drug chains last year, the additions may earn their space.

In *Drug Store News'* recent survey on general merchandise categories, chain drug retailers ranked film fifth in gross profit dollars generated, third in level of vendor support, and second in space efficiency among all general merchandise items.

Thus, it comes as no surprise that most drug chains, including Perry, Rite Aid, Walgreens and Rix-Dunnington, are making a stronger statement in film than they used to—either through added shelf space, a more prominent front end position, or with a secondary location in the store.

The growth in sales comes from both "push" and "pull" forces. On the "pull" side, consumer demand is way up as low-priced 35mm cameras bring quality photography into the reach of virtually all amateur shutterbugs. According to Walgreen Co., the number of pictures developed annually per household has shot up 52 percent in the past decade.

On the "push" side, Kodak has upgraded and overhauled its entire 35mm print film line with its Kodacolor "Gold" series; Fuji has unveiled its higher-resolution Super HR film series; 3M has launched its Scotch brand line; and Agfa has attempted to crack the mass market with its own line.

Most recently, Polaroid has gone directly after the casual 35mm shutterbug with its new OneFilm. Launched in April, OneFilm is being marketed as an all-purpose, decision-free film designed for point-and-shoot photographers.

Photofinishing

Continued from page 88

focal points of the new store prototype boosted photofinishing sales 12 percent last year, according to president David Schwartz.

"We have emphasized photo processing where today's time-conscious customer has the option of self-service or being assisted by a photo processing expert," said Schwartz recently.

Genovese Drug Stores recently turned around a moribund photo department by bringing in Dave Reynolds, a photofinishing wholesale veteran, to head the department.

"We didn't post the kind of gains we wanted in the last couple of years, but we've gotten much more aggressive in promoting the category in the past few months," said vp, corporate secretary and director of marketing Don Gross. "Dave has been setting up the program the way he wants it to be run."

Reynolds told *Drug Store News* that unit photofinishing growth in the chain's first two stores to be equipped with Noritsu minilabs exceeded 60 percent over the past year; the chain has a third minilab in its central processing facility.

Special program

At Arbor Drug, photo remains a key category thanks to its "Picture! Picture!" program, which offers two prints for the price of one and guaranteed overnight delivery. Photofinishing and film sales were up 9.6 percent to $18.2 million at Arbor in the last fiscal year, for 7.4 percent of total store volume.

Arbor has maintained its momentum by offering larger prints and promoting volume discounts through its "Picture! Picture! Club."

In short, drug chains are staying viable in the photofinishing game by offering quality, speed and convenience, and by marketing those advantages aggressively. Print quality, in particular, has been on a constant upswing for drug chains in recent years in response to the general upgrading of amateur photography to the 35mm level.

The move to high-quality developing is right in line with consumer demand. According to the PMA's 1988 Consumer Photographic Survey, picture quality was the single most important reason for choosing a particular outlet for photofinishing. Price was ranked only fourth in importance, behind "certainty that the film will not be lost or damaged" and "speed of processing."

A general, industry-wide speedup in processing time has also been a big plus for drug chains. Many drug chains—including Walgreens, Arbor and SupeRx Corp.—now offer routine next-day service through in-house labs or nearby wholesalers.

Mini-labs are partly responsible for the speedup in processing time by all competitors, says the PMA in a recent report.

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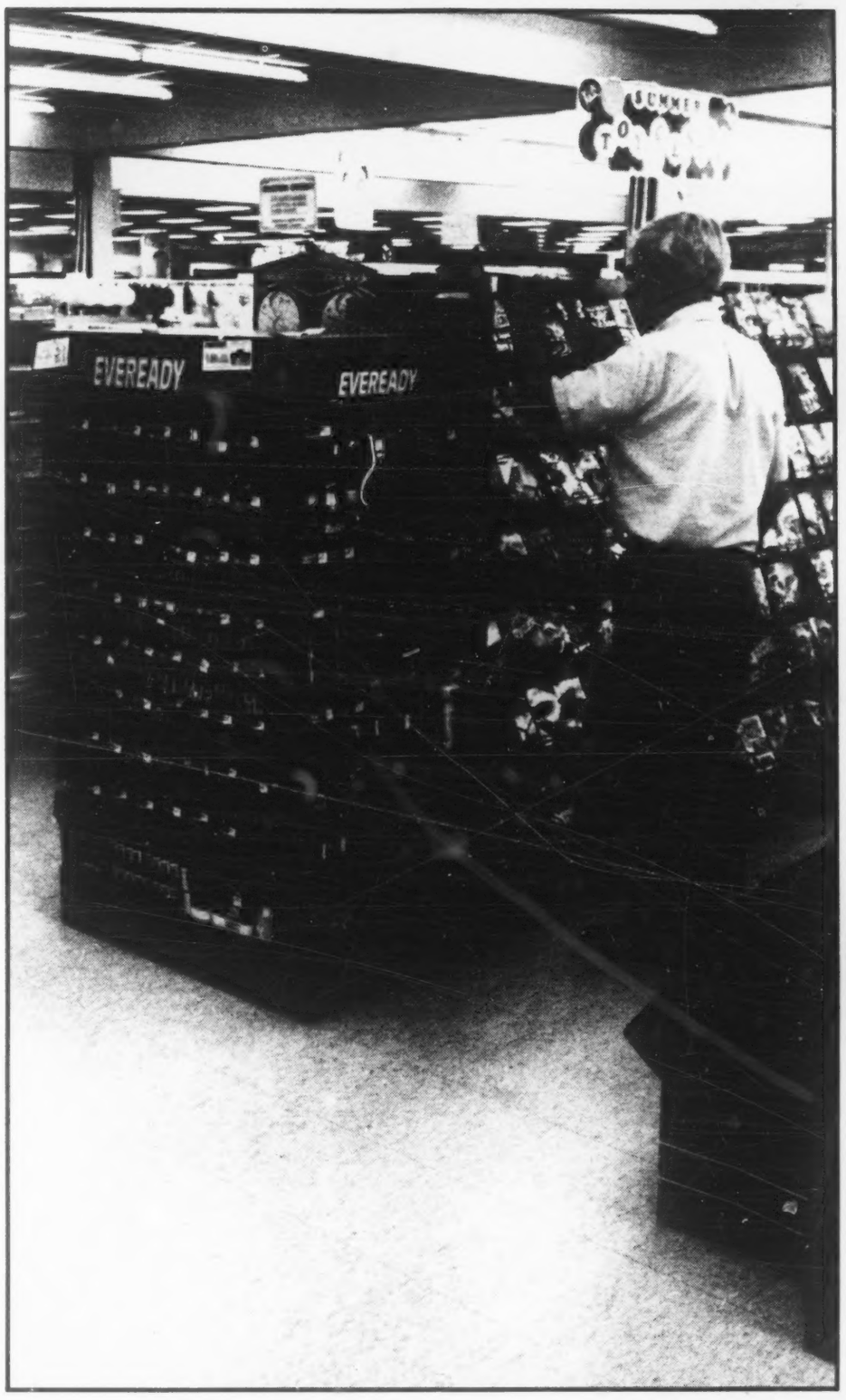
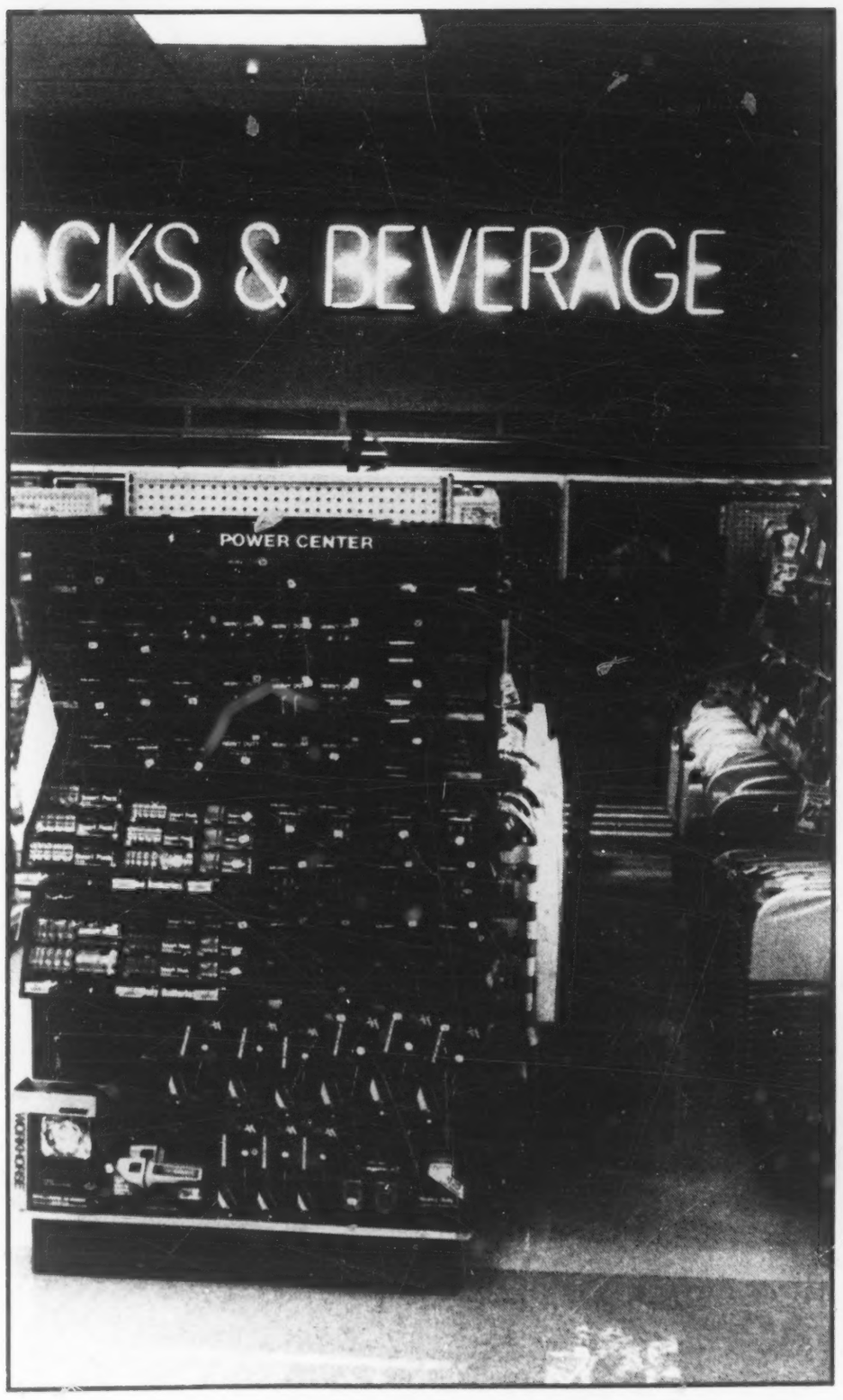


Batteries are a high turn, promotion-driven impulse category aggressively sought by drug chains and combos. Smitty's in Phoenix, above, and SupeRx of Arizona, below, each use endcap displays to maximize visibility. Both also cross merchandise flashlights on these racks.



Drug chains hoping new promotions will stoke audio and videotape sales

For drug chains willing to invest in pre-recorded videotape inventories, the rental business is a strong traffic producer and opens up some high-impulse cross promotions such as snacks. At Lewis Drug in Sioux Falls, S.D., video rental anchors consumer electronics and is driven by a rent three get-one-free promotion of current titles.

Drug chain buyers anticipate that new merchandising systems being introduced by vendors might help sell more profitable, higher-grade tapes. This would be a welcome addition to the category, which has become promotion-driven in the swell of a seemingly relentless tide of price cuts by discounters.

First out of the block is Scotch's new Easy Selection system, in which clearly labeled packaging defines the most appropriate uses of different tape grades.

Other manufacturers are said to be developing similar systems. Calls to retailers showed that they feel it is premature to comment on the full impact of such a packaging concept.

It could help restore enthusiasm for a category in which some drug chains continue to do very well and others have seen slow down somewhat in recent months.

Genovese Drug in Long Island has achieved strong category sales growth by displaying in a self-service video section and on endcaps, and by promoting video and audio tapes in circulars and fliers every two weeks.

The 90-store chain will strengthen its image in electronics with a broadened department that will include 8mm and camera videocassettes to meet demand among camcorder users, said buyer Lenny Genovese.

Sid's Get It For Less in Rocky River, Ohio also gains "excellent" sales with 17 percent markups. Standard-grade tapes promoted "four or five times" a year at $1.99 and $2.99 draw traffic from the store's relatively low-income trading area, says store manager Jim Scarl.

However, at Kinney Drug in upstate New York, buyer Jerry Houghton is paring redundant SKUs, going down from five brands to two. To create excitement for blank videotapes, Houghton promotes standard grades at $3.39 to $3.69. Less often, he promotes high grades, which yield better margins and generate transactions that are larger by $1 to $2.

At Memphis-based SuperD circular ads drive the category. "We're not experiencing any great increases in sales but we're not below last year," said Gene Bailey, a buyer at M&H Distributors, SuperD tape supplier. He said the drug stores have to promote because Wal-Mart and K mart feature endcap promotions almost weekly.

"We try to promote them [multipacks of three and five] once a month at least, and a couple of times during the fall season," said Bailey.

Where retailers plan to invest over the next two years: CONSUMER ELECTRONICS

Batteries	19.1
Video rental	19.1
Blank Tapes	14.3
Portable Audio	9.5

Source: *Drug Store News* 1989 General Merchandise Survey

Top two sales drivers: CONSUMER ELECTRONICS

Blank Tapes
a. Sharp pricing
b. Extensive chain promotions
Batteries
a. Heavy manufacturer advertising
b. Strong in-store presentation
Video Rental
a. Heavy manufacturer advertising
b. Extensive chain promotions

Source: *Drug Store News* 1989 General Merchandise Survey

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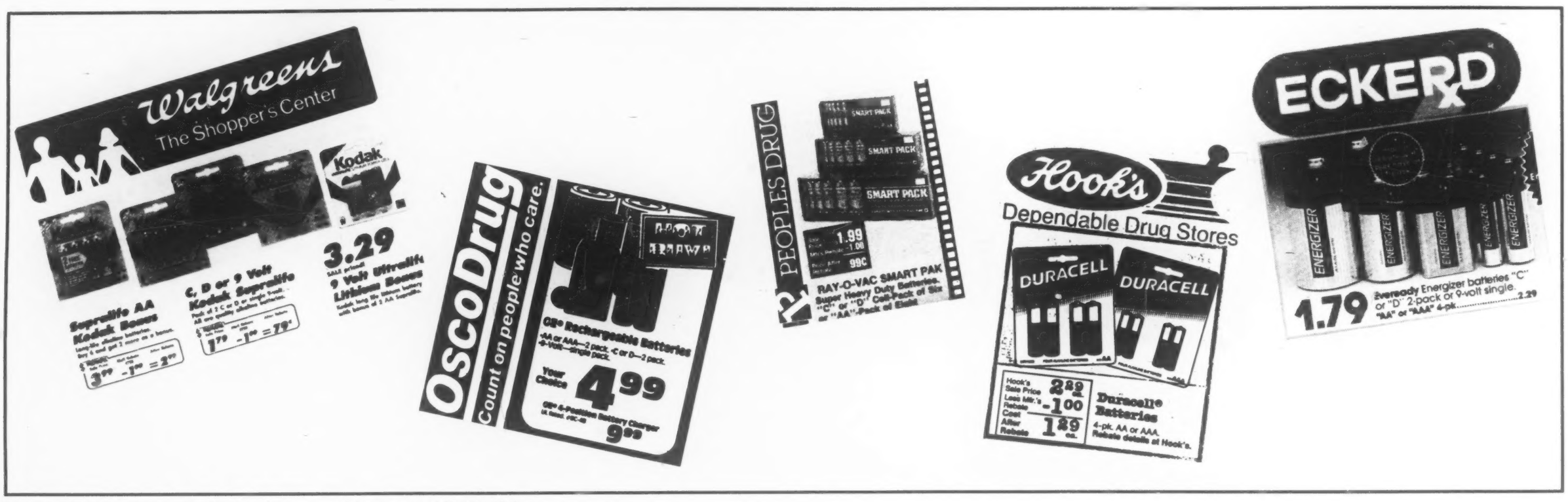
TRENDS

General Merchandise: Consumer Electronics



Many chains promote batteries monthly as traffic builders.

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Young adults buy largest number of blank tapes

"Mixed tapes" of recorded music are regarded as personal signatures by young people, who view them as projections of their personalities. Such personalized tapes, often loaned to friends, help account for the large percentage of blank audio cassette tapes sold to 16-to-24-year-olds, a study commissioned by Fuji Photo Film USA concludes.

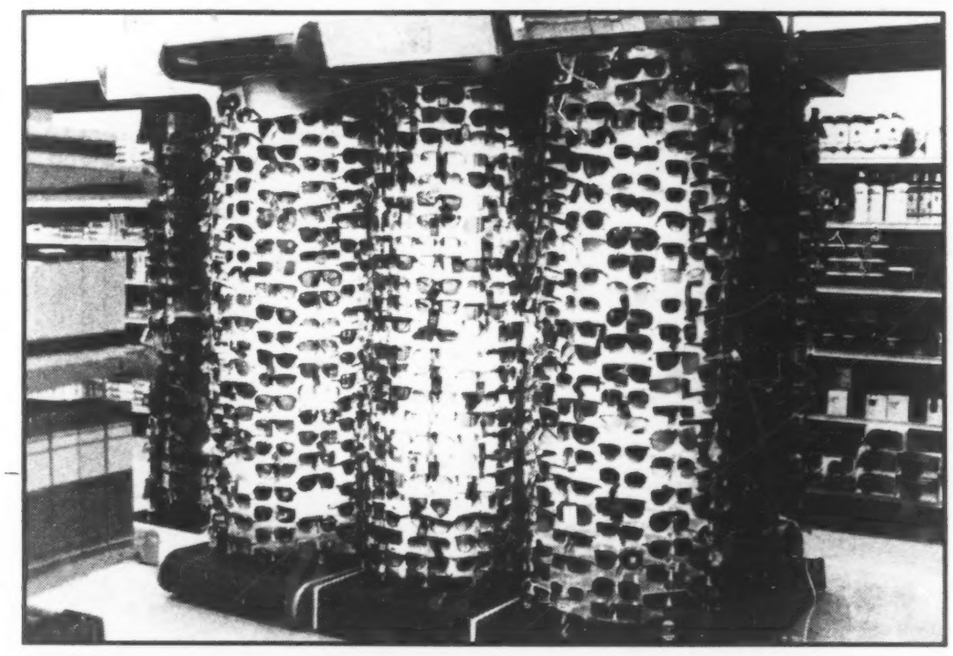
The survey is based on a national telephone poll of 600 consumers, which was conducted by Kane, Parsons & Associates.

This age group accounts for just 19 percent of the total U.S. population, but 27 percent of blank audio cassette users, and 25 percent of heavy users. (Heavy users purchased an average of 23.7 audio cassettes last year, compared with a 9.3 purchase by the average consumer, the study said.) The Electronics Industries Association estimates this category has already reached $354 million sales, or 366 million units, in 1988.

Other study findings

The study also concluded that:

- Consumers in upper-middle and upper-income households represent 48 percent of blank audio tape purchasers, and 56 percent of heavy users.
- Men, on average, buy 17 percent more blank audio tapes than women.
- Cassettes are used most often to record from radio—by 48 percent. Forty-one percent make frequent recordings from records, 37 percent from other cassettes, and 12 percent from compact discs.
- On average, 49 percent of all cassette buyers purchase three cassettes at a time.
- Ninety-minute high-quality tapes are preferred. Sixty-one percent of blank audio tape users purchase high quality (high bias and metal) tapes.



Lighted spinner racks give sunglasses visual appeal at this Drug Emporium, where they are displayed in a center store aisle to capture high traffic sales.

New labels add health appeal to sunglasses' fashion image

The Food and Drug Administration last month announced a new voluntary labeling system that will show OTC sunglass buyers how much protection they'll be getting from their sunglasses against ultraviolet sun rays. Now, along with a fashion image, drug chains can promote sunglasses more aggressively as a health-oriented product.

In conjunction with the Sunglass Association of America (SAA), the FDA said the uniform information will tell consumers how much protection they'll be getting from both UVA and UVB rays.

Top two sales drivers: SUNGLASSES

a. Broad assortment
b. Sharp pricing

Source: *Drug Store News* 1989 General Merchandise Survey

Dave Duarte of the FDA said each sunglass manufacturer will phase the labeling into their product mixes "as they deem it appropriate." He said, "Many manufacturers have already labeled their lines for this summer." Duarte noted that this is a voluntary effort by sunglass manufacturers, some of whom already have attached to each pair of sunglasses the amount of UV light that's absorbed.

The new labeling system may clear up some of the confusion shoppers have when selecting a pair of sunglasses, and in turn may boost unit sales over 20 million, which was the total number of sunglasses sold in drug stores last year. SAA estimates also report that drug stores racked up $180 million in sunglass sales in 1988, and during that time drug store consumers paid an average of $9 a pair.

It remains to be seen whether this new system will have an impact on the way sunglasses are merchandised at drug stores. Until now, most buyers say the category is driven by fashion.

In Minnesota, Snyder's Drug Stores sells sunglasses year-round at $5 to $25 retails.

Fashion statements

Susan Lund, buyer, said, "There will always be someone who will buy the less expensive pair of sunglasses, but for the most part consumers are buying sunglasses with fashion in mind." She pointed out that the matte black and neon colored rubber frames by Foster Grant are the best sellers so far this year.

In Washington, John Weith, buyer at Bartell, said sunglass sales are strong, and "with the sunny spring we're having, we hope the category will continue to be strong." Weith called the rubber bendable frames "innovative." Bartell takes advantage of sunglasses' fashion spin by displaying their racks near cosmetics in some stores.

A buyer for a New England drug chain said sunglasses are style-driven at his stores as well. "We have an affluent customer base who will buy a pair of sunglasses with style in mind more than price," he said, noting tortoise shells and metal frames are popular.

In upstate Gouverneur, N.Y., Kinney Drugs buyer Elaine Matot has also noticed brighter colors as a fashion trend for sunglasses.

Where retailers plan to invest in the next two years

SUNGLASSES 14.3%

Source: *Drug Store News* 1989 General Merchandise Survey

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Drug chains like Kerr, above, have found that high-impulse, fast-turning products are the key to success in toys. Most drug chains sidestep fads, noting that they'll inevitably turn into markdowns.

Selling toys isn't kid's stuff; category important for growth

Toys have earned the respect of many drug chain buyers, according to *Drug Store News'* 1989 General Merchandise Survey. Three out of four polled indicated the category will play a significant role in their growth plans, naming it as "very" or "moderately important."

They recognize their space constraints, and have developed ways to build profitability in toys without butting heads against Toys 'R' Us and other specialty superstores. By emphasizing high-impulse, fast-turn items, and sidestepping fads that inevitably turn into markdowns, many drug chain operators find toys very profitable.

Where retailers plan to invest in the next two years

TOYS 23.8%

Source: *Drug Store News* 1989 General Merchandise Survey

Toys, of course, also appeal to shopping families, whom retailers covet, and fill needs as outlets of convenience for last-minute gifts for children.

"The day-in and day-out business is in the under-$5 price point," said Affiliated/Associated toy buyer Richard Glassman.

By using a program from a vendor like Imperial, Gordy, Jak-Pak, Ja-Ru or Larami, a chain can display 12 to 24 feet of pegged goods, he added. Unlike fad toys, where markups are minimal because so many retailers sell them, pegged toys generally deliver a 50 percent margin.

At Bill's Drug in California, for instance, pegged toys account for more sales dollars than boxed toys, vp-merchandising Gene Bass said. Although Bill's will stock some of the hot toys, Bass said "It's not what draws our volume."

While customers may not see Bill's as a destination point for toy shopping, he said the chain picks up sales because of convenience. The category also benefits from adjacency sales and is especially strong during prime seasons such as summer and Christmas.

Low-end items good sellers

Bass added that with low-priced items like pegged toys, the category gives harried parents a fairly low-cost way of keeping a child happy on a shopping trip.

Bass's comments neatly sum up the sentiment of chain retailers in other regions as well. Of course, larger format stores such as Pay Less NW or Phar-Mor can deliver the space to make a greater presence in the category, especially during peak seasons.

In selected drug store markets patronized by affluent consumers, operators are taking advantage of opportunities to sell high-ticket Nintendo cartridges as high as $49.95. They enable stores to build profits and satisfy a broader range of free-spending consumers.

At one chain, Austin Drugs on Long Island, game cartridges are displayed behind locked glass cases at the front-end. To buy one, a manager must be called to unlock the case; then he carries the cartridge to the cashier for the customer to pay.

Top two sales drivers: TOYS

a. Heavy manufacturer advertising
b. Strong in-store presentation

Source: *Drug Store News* 1989 General Merchandise Survey

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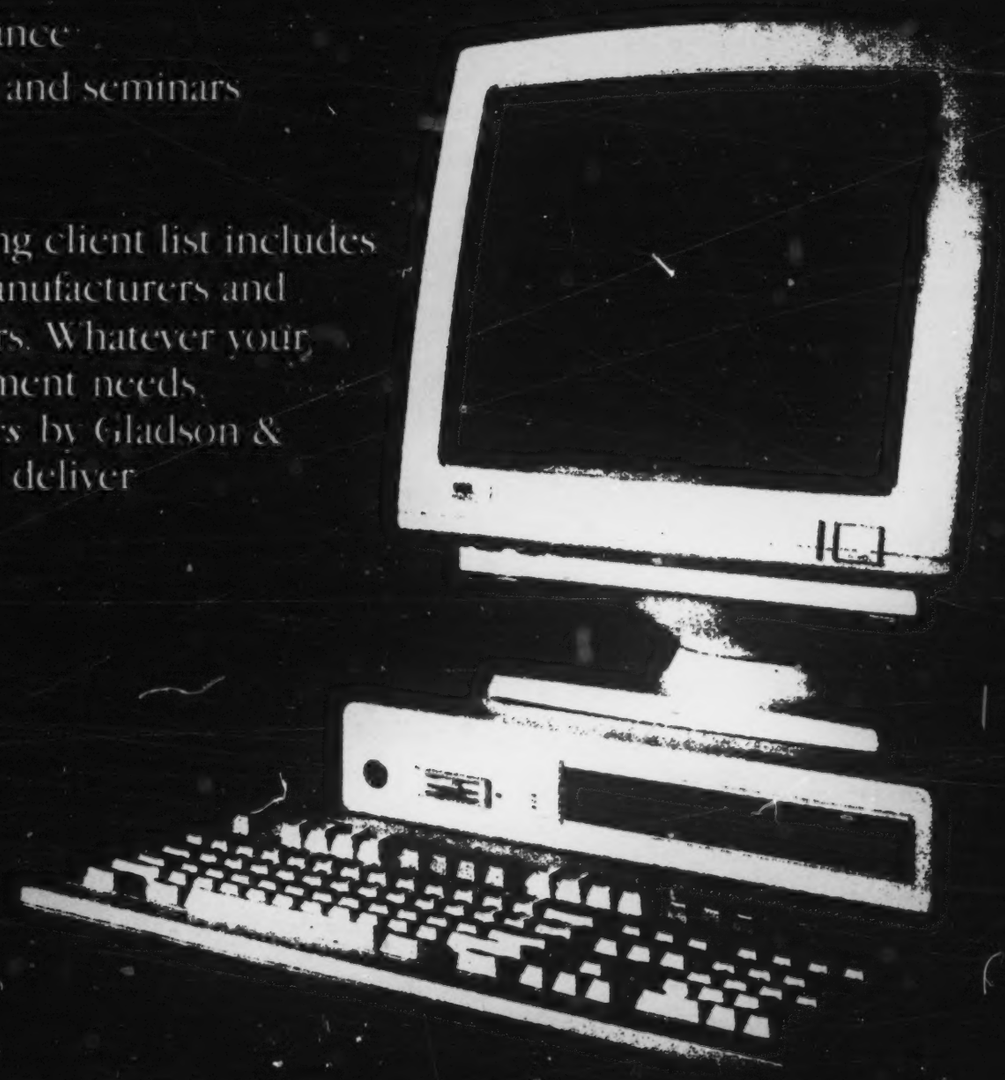

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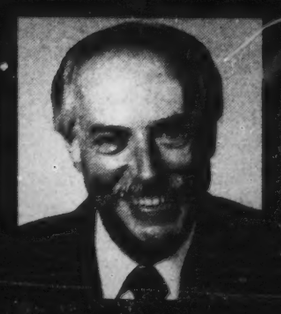

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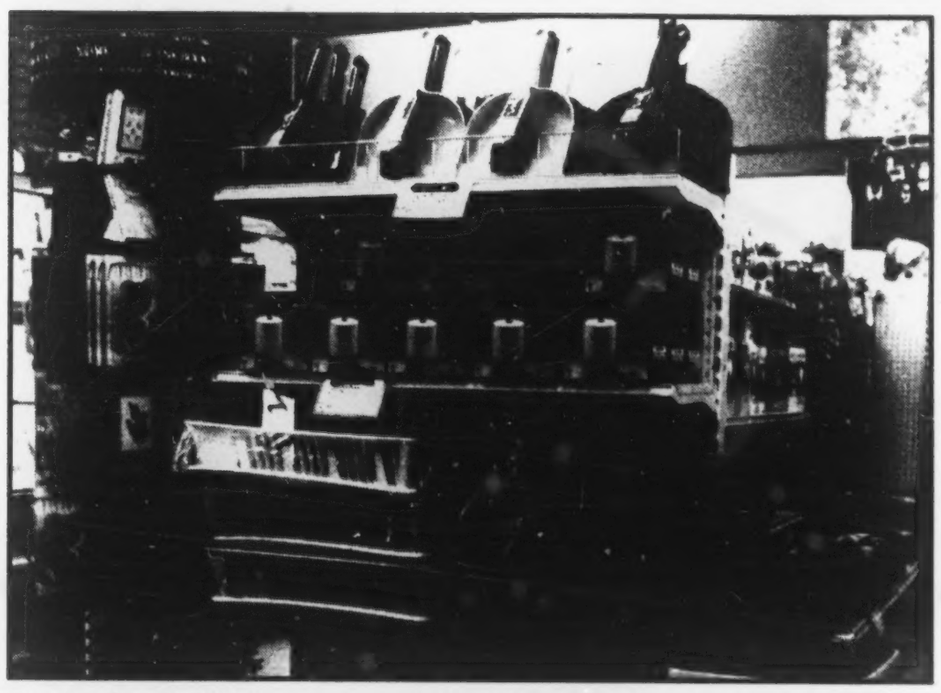

Basic plastic kitchenware and cleaning supplies cater to dorm students who shop at Campus Drug, Minneapolis.

Chains develop various approaches as housewares easily pays its way

In their moves to reassert their primary roles in health and beauty care, drug chains haven't abandoned housewares. The sprawling category—which encompasses everything from kitchenware and accessories to clocks, cleaning supplies and high-ticket electric appliances—is just too important to pass up, even in the era of back-to-basics.

Together, the products under the housewares umbrella churn up more than $2 billion at drug chain registers. That makes housewares the fifth-largest contributor to overall chain drug volume.

Nevertheless, the approaches taken by the chains to the category seem as varied as its definitions. Large-format stores, such as deep discounters, have the luxury of taking a broader approach. Phar-Mor is a good example: the chain began devoting a full power aisle in the center of store layouts two years ago, with successful results.

"In some stores, the configuration is different, but we still have a major commitment to housewares," said Phar-Mor spokesperson Carol Robinson. "We do a tremendous job with Rubbermaid, and also with domestics, closet organizers and gadgets."

In a far different, upscale prototype, Fantle's bucked the back-to-basics trend with a sizeable housewares mix, including kitchen appliances.

Chains fielding smaller-format stores, such as Thrift Drug, tend to take a more conservative approach in housewares. "It has always been and will continue to be strictly a convenience category for us, and we'll give it full play only in larger stores where space allows," said Tom Kutosky, vp and general merchandise manager for Thrift.

"On the other hand, we continue to keep an open mind about the category, and we do send buyers to the Housewares Show. We always find something at the show that will make the trip worthwhile, but we handle it on an in-and-out basis."

Given their size advantage, supermarkets and combo stores have also done well with housewares. Said Dick Lientz, director of general merchandise at Publix in Florida, "Some of our best performers include Rubbermaid storage products. I can't tell you enough how successful these items have been."

Just what constitutes housewares? "The world of housewares includes a diversity of products which have become practical as well as decorative necessities and conveniences of one's home living environment," noted the National Housewares Manufacturers Association in a recent report.

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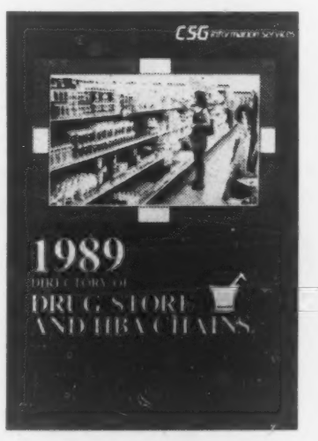

Here's a sample listing:

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Keltsch Bros., Inc., 4101 N. Clinton St. Fort Wayne 15
Telephone: (219) 482-1510 46805
Product Lines: Apparel; Baby Needs; Bathroom Safety Eqpt; Blood Pressure Units; Books; Cameras; Candy; Consumer Electronics; Convenience Foods; Cosmetics; Crutches/Canes/Walkers; Diabetes Testing Eqpt; Drug Sundries; Ethnic HBA; Film; Games; Giftware; Greeting Cards; Hair Care; Hardware; Home Health Care; Home Paper Prdts; Hospital Beds; Hswe; HBA; Jewelry; Lawn & Garden; Liquor; Medical/Professional Supplies; OTC Drugs; Personal Appl; Personal Care; Pet Supplies; Photo; Physical Therapy Needs; Rx; School Supplies; Seasonal; Sm Appl; Snack Foods; Soft Drinks; Stationery; Sunglasses; Tobacco; Toiletries; Toys; Video Tapes; Wheelchairs; Wine.
Sales: $22,000,000 (1988 Co. Est); $21,000,000 (1987 Co. Est)
% Sales In Pharmaceuticals: 30
% Sales Home Health Care Needs: 1
% Sales HBA: 8
Number Of Prescriptions Filled Daily: 2,250
Number Of Stores: 15 (15 Rx)
Sales Per Square Foot: $108
Store Prototype Size(s): 12,000 sq. ft.
Store Name(s): Keltsch Pharmacy
Computerized Rx: Yes (15 Stores)
Association Membership: Affiliated Drug Stores, New York, NY
Primary Wholesaler(s) Pharmaceuticals: Louis Zahn Drug Co., Melrose Park, IL
Primary Wholesaler(s) General Merchandise: Louis Zahn Drug Co., Melrose Park, Il
In-Store Foodservice: Yes (1 unit)
Video Rental Depts: Yes (Leased)
Scanners: No
Private Label Non-Foods: Yes
Packaged Liquor: Wine/Liquor
Year Founded: 1928
Operates Stores in the following States & Counties:
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MAURICE C. KELTSCH—ExVP.
CLYDE LEEDY—Treas.
RICHARD KELTSCH—Dir, Mdsg, Store Planning, Mgr, Adv & Sales, Buyer, Hswes, Electrical Goods, Hdwe, Toys & Wheel Goods, Lawn & Garden Supplies, BBQ Equipment, Picnic Supplies, Apparel & Soft Goods, Fixtures, Tobacco, Candy, Cameras.
STEVE RUBIN—Mgr, Distribution Center.
JOHN WOENKER—Head Pharmacist.
MARILYN PHELPS—Buyer, Toiletries & Cosmetics, Paper & Stationery, Giftwares.
ROBERT FAHRENBACH—Buyer, Video Tapes, HBA, Photo Supplies.
KAREN BUTLER—Buyer, Gifts.
LEE THEABALD—Buyer, Drugs, Pharmaceuticals.

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Where retailers plan to invest over the next two years: HOUSEWARES

Personal care	28.6%
Household chemicals	19.1
Microwave cookware	14.3
Rubber/plastic storage	14.3

Source: *Drug Store News* 1989 General Merchandise Survey

Top two sales drivers: HOUSEWARES

Household chemicals
a. Heavy manufacturer advertising
b. Sharp pricing

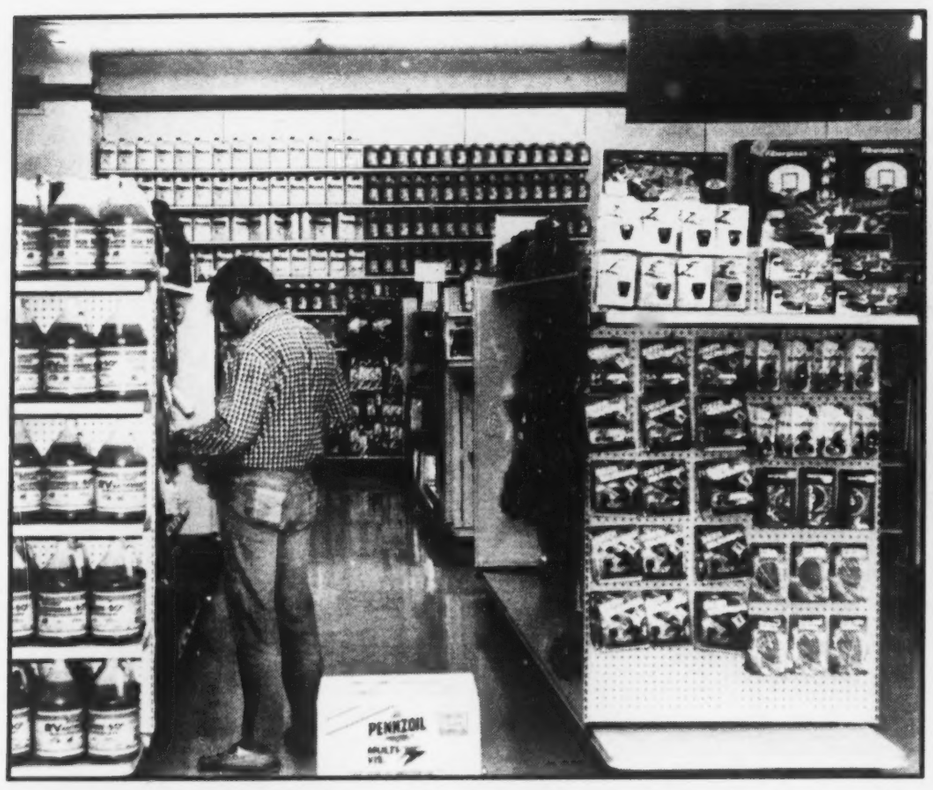
Personal care
a. Extensive chain promotions
b. Sharp pricing

Microwave cooking
a. In-store service
b. Extensive chain promotions

Source: *Drug Store News* 1989 General Merchandise Survey

TRENDS

General Merchandise: Hardware, Automotive, Seasonal



Lewis Drug, Sioux Falls, S.D., has a large general merchandise presence to satisfy its local market. Above, broad automotive assortments serve functional car care needs as well as novelty items. At right, home repair sign hangs above to clearly identify basic hardware, paint and home products.

Drug chains fine-tune mixes and promote steadily

Automotive and hardware, considered to be simply a convenience for customers by many drug store operators and an essential in larger-format stores that cater to a broad customer mix, continue to play an important role in the growth plans of drug stores nationwide.

About three-quarters of drug chain executives surveyed by *Drug Store News* indicated that automotive and hardware will definately be part of their future mix, although the categories' roles will vary both by market and by store format.

Even when space is severely limited, merchants generally find promotional space for the categories several times a year. Other large stores such as deep discounters and superstore formats can make a greater presence.

Where retailers plan to invest in the next two years

HARDWARE 4.8%

Source: *Drug Store News* 1989 General Merchandise Survey

Chain buyers overwhelmingly said that the key to selling both categories successfully within the drug store environment is to not merchandise for the serious hardware or automotive shopper, but cater instead to the typical drug and health and beauty aids customer.

"You can't be everything to everybody," said Roger Musil, Snyder Drug Stores' automotive and hardware buyer.

At Snyder, both categories are covered primarily with convenience items like do-it-yourself supplies and tools, adhesives, electrical supplies, car chemicals and waxes, motor oil and antifreeze.

By fine-tuning the mix, chains such as Perry Drug Stores can attain sales targets from about 30 items, a chain spokesperson said. Even at that, the chain's mix has enough variety to allow for non-repetitive promotional opportunities.

Where retailers plan to invest in the next two years

AUTOMOTIVE 9.5%

Source: *Drug Store News* 1989 General Merchandise Survey

Promotions are particularly important toward building Kerr Drugs' automotive sales, where special in-store 30-day price reductions often highlight the category, said Dan McAllister, automotive and hardware buyer.

Considerable vendor support also plays a role in revving automotive and hardware sales at drug chains. Merchants also look to distributors to help them select the most popular SKUs and educate them on new products.

Some drug store executives, such as Gene Bass, vp-merchandising at Bill's Drug in California, feel that the advent of 30-minute quick lube service operators and auto aftermarket specialty stores limit the impact that conventional drug stores can have in these categories.

The result at Bill's: occasional special promotions on motor oil and selected other items that are frequently replenished and highly identifiable.

Seasonal products often mean large transactions. Barbecue grills priced up to $129.99 are shown on high-visibility racetrack stack display at SupeRx, Scottsdale, Ariz.

Where retailers plan to invest in the next two years

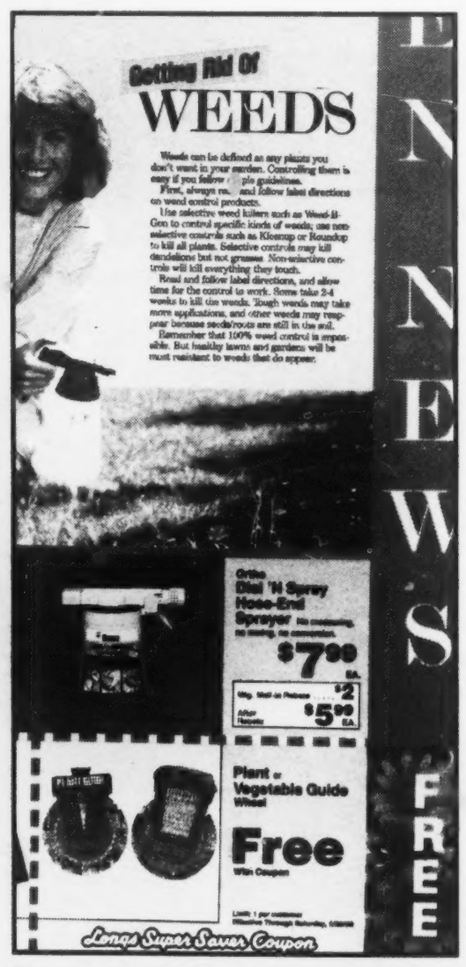
SEASONAL 47.6%

Source: *Drug Store News* 1989 General Merchandise Survey

Top two sales drivers: SEASONAL

a. Broad assortment
b. Extensive promotions

Source: *Drug Store News* 1989 General Merchandise Survey



Drug chains such as Longs take advantage of seasonal merchandising opportunities to develop high-margin sales and attract a broad range of customers who are likely to make multiple purchases while in their stores. Theme ads are particularly effective, especially when linked with product giveaways, coupons, and manufacturer rebates.

DRUG STORE NEWS®

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SECOND CLASS

Vol. 4/No. 6 The News Journal of Retail Pharmacy — Published by Lebhar-Friedman Inc./June 26, 1989

Patient savings drive dispensing of generic drugs

NEW YORK — Creative incentives and lucrative rebate programs mean little when pharmacists decide whether to purchase or substitute one generic product over another; but how much pharmacists can save customers by dispensing a particular generic over a branded product is quite another matter.

Inundated by the number of generic companies that have sprung up over the past several years offering AB-rated generic substitutes for some costly branded items, chain and independent retail pharmacists are making their purchasing choices based on many factors. According to *Drug Store News/ Inside Pharmacy's* 1989 Generic Substitution Study, incentive and rebate programs apparently aren't influential. The study uncovered that pharmacists are primarily concerned with cost savings for their customers when a generic is substituted for a branded drug, regardless of how lucrative a deal, based on incentives and rebates, they can make with a particular generic house.

According to the study, pharmacists practically ignored incentives and rebate programs offered by some generic companies that encourage pharmacists to buy their products over the competitors; instead, the pharmacists gave relatively high marks to the cost savings for their customers. The professional reputation of the generic company also figured heavily into their buying practices.

GeneRics 1989X Substitution Survey

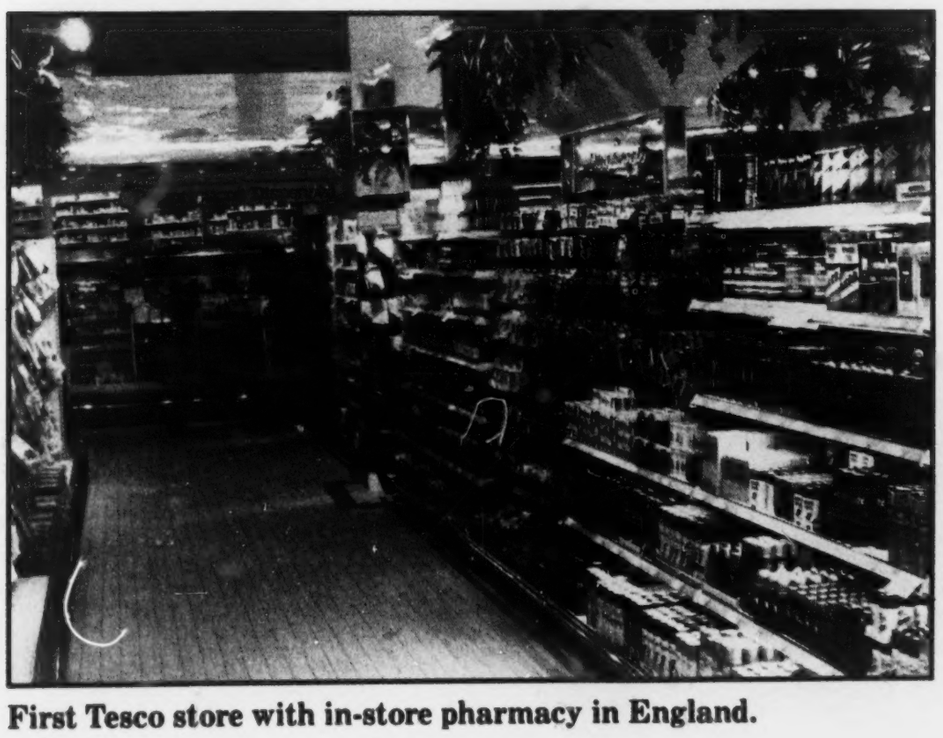
Throughout the survey, pharmacists reiterated their concern about the therapeutic effectiveness and bioavailability of products sold by generic companies, as well as their stock availability and how those generics can bring improved profits to their bottom line.

To a lesser extent, the pharmacists answering the survey said that store or company

Continued on page IP27

British say 'good show' to supermarket pharmacy

The Tesco supermarket chain is making inroads in Great Britain's traditional market of independent chemist shops, with pharmacies in its nine locations, and is getting a favorable response to its 'one-stop shopping' concept — ***see page IP36.***



First Tesco store with in-store pharmacy in England.

New elderly Rx plan faces big headaches

By Susan Ball

NEW YORK — One and a half years from now, on Jan. 1, 1991, the outpatient drug program of the Medicare Catastrophic Coverage Act is scheduled to be off and running. The program, referred to by one health care professional as "the largest drug program in the world," will have far-reaching effects not only on the nation's elderly but on retail pharmacy.

When it begins, the new program will extend coverage to some 30 million Americans, who, it is estimated, will consume about 720 million prescriptions a year.

Because the law mandates making a point-of-sale electronic claims processing system available to all participating pharmacies, the program will trigger what Stephen W. Schondelmeyer, associate professor of pharmacy administration at Purdue University's pharmacy school, called "a quantum leap in prescription claims processing technology."

But whether the program breaks out of the starting gate at full speed or is hobbled with Star Wars-scale problems depends in part on the dialogue going on now among government officials, pharmacy groups, computer technicians and a host of other affected groups aimed at making the system work.

The Department of Health and Human Services (HHS), specifically HHS's Health Care Financing Administration (HCFA), is charged with implementing the Medicare drug program.

"HCFA has a monumental task," said one authority on the program. "HFCA has had oversight of other programs, but it has never developed one itself; it's going from zero to the top, and few people in or out of the government have much experience in doing this. The POS system for the Medicare program creates major

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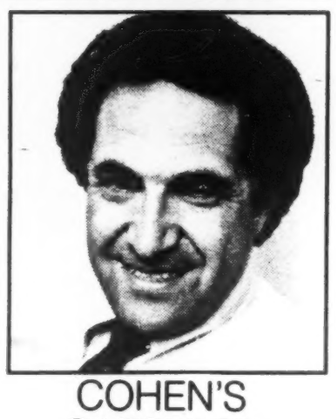
Vol. 4, No. 6 June 26, 1989

Generic study has important lessons

By now you've probably seen the results of our annual generic substitution study. If not, go back and read it; I'll wait. . . Okay, now that you've read it, what do you think? No surprises, you say? Maybe. But if you ask me, the study has some important messages for both generic and branded drug manufacturers.

One of the first books I ever read about the pharmaceutical industry was for a high school term paper I was writing. I can't remember the exact name of the book, but something like "Black Market Medicine" stands out in my mind. The name isn't really important, but when I think back to the '60s, the content of that book made a big impression on me.



COHEN'S CAPSULES
HAROLD COHEN

The book was about generic drugs and the unethical way some of them were manufactured. One passage I remember distinctly told how some generic companies sweep up the pharmaceutical dust that remains after the punching of the tablets and it's put back into the hopper to be used as an active ingredient.

Looking back some 20 years, I realize now that the book was probably full of exaggerations like that. Or was it? After reading that book, I was led to believe that generics were taboo, and anyone taking them was committing pharmacological suicide.

While the contents of that book may seem preposterous and even a bit humorous to some today, there are still people, including many professionals, who hold to the notion that generics just aren't the same as branded drugs. I am not here to debate that question. I'll leave that up to the FDA. However, credit must go to generic manufacturers who, over the years, have successfully overcome stigmas attached to generic drugs. But to be fair, they had a lot of help.

As third-party programs began to really take hold of the pharmaceutical marketplace in the mid '70s, generics presented an opportunity to cut costs. The government immediately embraced generics and issued its now infamous Maximum Allowable Cost (MAC) list. Basically this list dictated to pharmacists what they could expect to get reimbursed from the government for certain branded drugs that had what the government believed to be suitable generic substitutes.

And so the generic onslaught started. It seems like overnight, generic companies began to spring up. Pharmacists were inundated with catalogs, telemarketing and even personal sales calls from generic houses that promised to have the most comprehensive line of products but often couldn't deliver the goods because of severe out-of-stock conditions in their warehouses. As the third-party prescription industry grew, the number of companies became greater and the availability of product improved as well.

At first, both retailers and consumers were skeptical about generics. In fact, many consumers didn't really understand the concept of a generic at all. I remember customers coming into my store in the '70s asking about this new category of drugs called "genetics" or "geriatrics." They just couldn't seem to get it right. All they knew was what they had been told by the generic companies: it would save them money on their drug bills.

But just as consumers realized the cost savings in generics, so did the retailers. After all, wasn't substituting generics one way in which they could increase gross profit margins with little increase in inventory? Pharmacists began pushing the use of generics in their stores, a practice that today accounts for a major avenue for promoting generics. Our survey shows that consultation from pharmacists was the second-best form of promoting generics in those pharmacies we surveyed.

The generic boom seemed to take branded companies, and nearly everyone else (myself included), by surprise. The literature was full of anti-generic ads at the beginning of the '80s, but generic companies pursued their quest for market share. While our survey showed that some retailers are still being fed anti-generic information by a few branded reps, one would be hard-pressed to find any organized anti-generic activity by branded manufacturers on a national level.

It's also obvious that branded manufacturers have two choices: get into the generic marketing business or increase research and development to get more single-source products on the market. Unfortunately for the branded companies, third-party programs and a heavy emphasis on cost containment makes it all but impossible for the average consumer, or the physician for that matter, to be brand loyal anymore. On the other hand, the success of generics has started a price war among companies that manufacture and market generics.

The results of our generic study send out important messages to both the generic and branded manufacturers. To the generic companies, read and listen to what your customers want; to branded manufacturers, if it's not too late, maybe it's time to restructure the price schedules of those products that have already succumbed to generic pressures. There's enough business for everyone; now go out and get it.

LETTERS TO THE EDITOR

To the Editor:

Thank you for responding to the letter written by the 'redneck Texas Pharmacist' in *Cohen's Capsules* (March 20). I am also a Texas pharmacist but hopefully have a more open mind than my 'good ol' boy' counterpart. Being a young female in West Texas, I am used to strange looks in regards to my clothing, jewelry, and hair and have grown accustomed to being asked "Where's the pharmacist, hon?" Despite my appearance, customers have accepted my helpfulness and empathy, as they would that of any pharmacist. I apologize for the comments of my cohort and hope that among Texas pharmacists, my attitude is more the rule than the exception.

Bathany Boyd, R.Ph.
Odessa, Texas

To the Editor:

Concerning your column on heroin in pharmacies: Your statement, "Doctors report that less than half the dose of heroin produces the same pain relief as a dose of morphine" is a misleading comparison in itself because, as it leads to no supportable conclusion of value. But the real point is that heroin is converted to morphine in the body, and the latter is the active ingredient.

Having attended two major seminars on pain relief in the past 18 months, I would expect someone in your position to exhibit more familarity with the topic before discussing it with your readership.

J.L. Johnston. B.Sc. (Pharm)
Senior vp, Drug Trading Co. Ltd.

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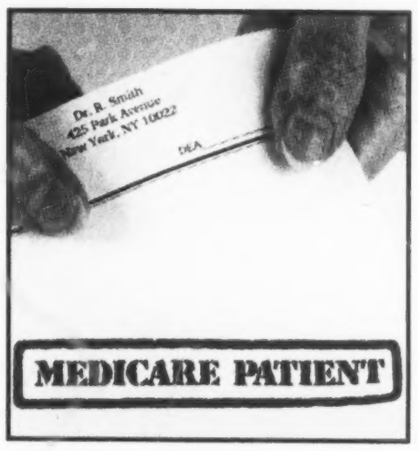

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Gans' APhA agenda: 'Safe and effective drug use'

WASHINGTON — John A. Gans pledged to continue moving APhA forward during his first public appearance after being named executive vice president and chief executive officer of the association.

Gans

At a meeting with reporters at APhA headquarters in Washington, Gans, dean of the Philadelphia College of Pharmacy, expressed confidence in the future of pharmacy, and reiterated his commitment to solidifying the association's role in leading the profession forward.

A key element in the long-range strategic master plan developed by APhA's board of trustees is to position the association as the "foundation organization" for pharmacy, and in line with that goal Gans has advocated a strong, take-charge stance for APhA.

"In my opinion, APhA must provide the light, the vision to serve as a beacon for all of pharmacy, directing us in these changing and challenging times to achieve our professional purpose," he said.

Gans was selected for the top staff slot during an intense, two-month search sparked by the resignation of John F. Schlegel, who had served as APhA executive vp for the past five years.

In accepting the post of APhA executive vp, Gans cited the need for APhA to "set the agenda for safe and effective drug use in America."

His appointment was announced by R. David Cobb, APhA board chairman, who praised Gans' "vision and leadership," and credited him with being "at the forefront of pharmacy practice by creating a network of practitioners and facilities to support the education and training of pharmacy students."

Correction

The "financial profile of typical prescription department" chart that ran as part of the Annual Report of Retail Pharmacy in the May 15 issue, had chains and independents inadvertently switched. The corrected chart is below.

Financial profile of typical prescription department

Annual prescription sales of an average prescription dept.

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	$752,575	$854,406	13.5%	$644,740	$690,189	7.0%
Median	$674,000	$815,000	20.9	$635,277	$600,000	−5.6

Percentage of store sales accounted for by the Rx dept.

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	33.4%	34.3%	0.9%	70.9%	72.5%	1.6%
Median	31.5	33.4	1.9	70.0	72.5	2.5

Percentage margin maintained by average Rx dept.

	Chains			Independents		
	1987	1988	% pt. diff.	1987	1988	% pt. diff.
Average	31.9%	31.1%	−0.8%	31.1%	31.3%	0.2%
Median	40.0	31.2	−8.8	30.0	30.0	0.0

Dollar inventory at cost required for an average Rx dept.

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	$69,390	$78,160	12.6%	$72,874	$83,007	13.9%
Median	$61,000	$69,000	13.1	$60,000	$70,000	16.7

Number of turns on Rx inventory on an annual basis

	Chains			Independents		
	1987	1988	% change	1987	1988	% change
Average	8.0	8.3	3.1%	7.5	7.7	2.3%
Median	7.2	7.2	−0.4	8.0	8.0	0.0

Source: *Drug Store News/Inside Pharmacy* 1989 Pharmacy Operations Survey

Sullivan: HHS has no policy to force reduction of AWP

NARD's aggressive lobbying campaign in defense of "pharmacists' earned discounts" seems to be making headway, despite continued attempts by a number of state Medicaid officials to slash Average Wholesale Price (AWP) reimbursement. In response to demands from NARD for a "moratorium" on such cuts, Health and Human Services (HHS) Secretary Louis Sullivan told the independent druggist group that there is no national policy by either HHS or the Health Care Financing Administration (HCFA) to force states to reduce AWP.

WASHINGTON PERSPECTIVE
KEN RANKIN

Medicaid drug officials in at least half-dozen states from Arkansas to Alaska have been moving to cut AWP payments, and some justify these reductions on the basis of national HCFA policy. Sullivan's statement's to NARD would appear to set the record straight.

The battle over pharmacy product cost reimbursement is far from over, however. Despite NARD's efforts, Sullivan declined to issue a moritorium on state AWP reductions, and a number of states appear likely to continue on this path. The druggists association expressed hope, though, noting that "separate actions from the secretary are expected in response to objections by NARD, members of Congress, and others to HCFA's strongarm tactics in these states."

Generic approval scandal prompts FDA shakeup The deepening scandal over generic drug approval bribery and corruption within FDA has prompted a major shakeup. Carl Peck, chief of FDA's Center for Drug Evaluation and Research, will personally supervise both the Division of Generic Drugs and the Division of Bioequivalence while the investigation into alleged staff wrongdoing unfolds. Peck and Gerald Meyer, Deputy Division director, will be solely responsible for approving all abbreviated new drug applications for generics.

That shift, in turn, triggered a series of lower-level personnel transfers and reassignments of duties, which FDA officials say are necessary "in order to be sure the generic drug process operates fairly—and with no doubt in the public's mind about these products—while studies of the generic drug operations continue."

At press time at least two of those accused in the generic corruption scandal—FDA chemist David Brancata and Pharmaceutical Basics' vp Raj Matkari—had pleaded guilty to illegal gratuity charges. According to staffers at Rep. John Dingell's House oversight subcommittee, more charges of generic payoffs may surface soon.

Will kickback regulations hike drug costs? New Federal "anti-kickback" rules proposed by HHS to curb Medicare fraud will drive up drug costs to the program, officials at the American Society of Hospital Pharmacists warned. In commenting on the department's latest proposal, ASHP said the planned restrictions would unnecessarily limit how pharmaceuticals are purchased and restrict opportunities for discounts.

The group fears that a number of commonly accepted drug purchasing practices could fall under the rule's definition of an illegal kickback and subject hospital pharmacists to criminal prosecution. Charging that the proposal would have a "chilling effect on legitimate, pro-competitive arrangements which are routine and permissible today," ASHP asked that drug purchases be at least temporarily excluded from the rules.

Dingell urges retu rule relaxation Hou Energy and Commerce Committee Chairma John Dingell (D-Mich.) the chief sponsor of the two year-old Federal anti-drug diversion law, urged FDA to relax its rules limiting pharmaceutical returns by institutions. At issue: rules which hospital pharmacists contend actually contribute to diversion by preventing institutions from returning drugs ordered by mistake or in excess quantities. Those regulations, issued to implement the law's ban on resales by hospitals, have been given an "illogical, inequitable, and wholly unintended interpretaion" by drug wholesalers," Dingell charged in a letter to the agency.

"Unfortunately, the National Wholesale Druggists' Association (NARD) has singularly interpreted the statutory language banning resales by hospitals and health care entities in a manner which rebounds to their economic benefit, but does a disservice to the overall interest of the pharmaceutical industry, pharmacists and to the public," Dingell fumed. "Specifically, I believe that FDA needs to amend its policy guidelines to permit returns by hospitals and other health care entities."

In order to "help restore the competitive balance that existed prior to the self-serving interpretation of the term resale by the NWDA" and to "distinguish legitimate returns from" diverted drugs, Dingell proposed that FDA:

- Allow unrestricted returns of Rx drugs to the wholesaler or manufacturer from which the hospital purchased them;
- Require the institution to leave a clear paper trail by filling out existing credit memo forms for all returns; and
- Permit wholesalers who receive such returns to either destroy the drugs, return them to stock, or ship them back to the manufacturer, whichever is "consistent with the policy of the wholesaler and the manufacturer."

Dingell's decision to press for changes in FDA's drug return policies drew immediate support from pharmacy groups as well as the Pharmaceutical Manufacturers Assoc. According to Joseph Oddis, American Society of Hospital Pharmacists' executive vp, "the FDA policy and NWDA's interpretation represents a threat to the safety of America's drug supply and may translate into higher health-care costs for the consumer." Calling the outcome of FDA's approach "ironic," Oddis charged that it "fosters a situation in which drug products are far more likely to be diverted—precisely the activity Congress sought to avoid."

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Generic Substitution Study

Savings to customers drives generic dispensing: study

Continued from page IP1

policy to substitute or purchase one generic over another played only a minor role in what they purchased and dispensed. The lowest rating was given to rebates and other incentives as a reason for purchasing from a particular generic company.

Substitution on the rise

As third-party prescriptions continue to make strong inroads because of branded prescription products losing their patent protection, generic prescription sales will continue to climb proportionately upward. According to the survey, 97 percent of the pharmacists surveyed reported a 23.8-percent increase in the number of generic prescriptions filled in 1989. The newly-passed Medicare Catastrophic Bill *(see cover story p. IP1 this issue)* and increases in third-party prescription plans, which is expected to peak at approximately 70 percent in the next 10 years, are major forces driving pharmacists substituting generics for patent-expired branded drugs.

While third-party prescriptions are certain to play an important role in the hefty increase of generic substitution in the next 10 years, according to pharmacists answering the survey, the overall reason to substitute still remains bottom-line oriented, centered around what cost savings they can pass along to their customers.

The importance of cost containment on prescriptions is obvious for customers not participating in a third-party prescription plan who must pay out-of-pocket expenses for costly drug products. But, cost savings to the customer also becomes an important issue even if the customer *is* on a third-party plan because many of today's third-party plans are structured so that the co-payment paid by the planholder is greater if a branded drug is dispensed when a generic for that drug is available.

For example, one New Jersey Blue Cross prescription plan dictates that the cardholder pay a $5.00 co-pay for each prescription filled if a branded drug is desired when a substitutable generic is available. If the cardholder opts for the generic in the first place, the co-pay drops to $3.00. If the drug being dispensed is a single-source entity, that is, still protected by patent laws with no generic available, the lower co-pay is required.

But according to study results, price wasn't the only issue. The pharmacists said that price is a moot point in many cases because consumers who belong to HMOs or PPOs often have no choice whether they

Continued on page IP30

How MDs write prescriptions

Generically	**20.1%**
Brand only/*no generic substitution permitted*	**14.5**
Brand/*generic substitution permitted*	**36.6**
Single source drug only/*no generic available*	**28.8**

Source: *Drug Store News/Inside Pharmacy* 1989 Generic Substitution Survey

GeneRics 1989 Substitution Survey

Top 10 branded drugs most often substituted by pharmacists

(In descending order)

1. **Tylenol with Codeine #3**
2. **Motrin/Dyazide***
3. **Darvocet N 100**
4. **Lasix**
5. **Inderal**
6. **Keflex/Valium***
7. **Hydrodiuril**
8. **Bactrim DS/Amoxil***
9. **Persantine**
10. **Flagyl/Elavil/Septra DS***

*Tied for position

Source: *Drug Store News/Inside Pharmacy* 1989 Generic Substitution Survey

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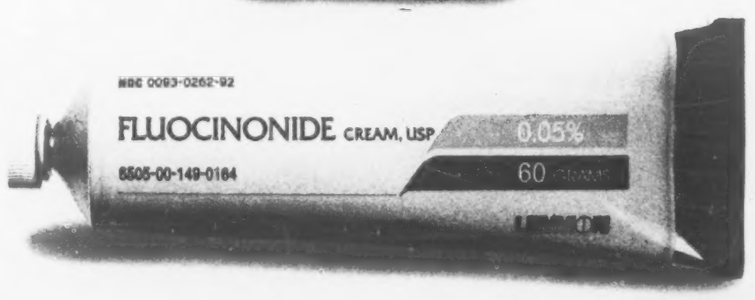

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PRAZOSIN HYDROCHLORINE CAPSULES, USP

DESCRIPTION
Prazosin hydrochloride, a quinazoline derivative, is the first of a new chemical class of antihypertensives. It is the hydrochlorine salt of 1-(4-amino-6,7-dimethoxy-2-quinazolinyl)-4-(2-furoyl) piperazine and its structural formula is:
It is a white to tan powder, slightly soluble in water and methanol, very slightly soluble in alcohol, practically insoluble in chloroform and acetone, and has a molecular weight of 419.87.
Each capsule, for oral administration, contains prazosin hydrochloride equivalent to 1 mg, 2 mg or 5 mg of prazosin.
CLINICAL PHARMACOLOGY
The exact mechanism of the hypotensive action of prazosin is unknown. Prazosin causes a decrease in total peripheral resistance and was originally thought to have a direct relaxant action on vascular smooth muscle. Recent animal studies, however, have suggested that the vasodilator effect of prazosin is also related to blockage of postsynaptic *alpha*-adrenoceptors. The results of dog forelimb experiments demonstrate that the peripheral vasodilator effect of prazosin is confined mainly to the level of the resistance vessels (arterioles). Unlike conventional *alpha*-blockers, the antihypertensive action of prazosin is usually not accompanied by a reflex tachycardia. Tolerance has not been observed to develop in long term therapy.
Hemodynamic studies have been carried out in man following acute single dose administration and during the course of long term maintenance therapy. The results confirm that the therapeutic effect is a fall in blood pressure unaccompanied by a clinically significant change in cardiac output, heart rate, renal blood flow and glomerular filtration rate. There is no measurable negative chronotropic effect.
In clincial studies to date, prazosin has not increased plasma renin activity.
In man, blood pressure is lowered in both the supine and standing positions. This effect is most pronounced on the diastolic blood pressure.
Following oral administration, human plasma concentrations reach a peak at about three hours with a plasma half-life of two to three hours. The drug is highly bound to plasma protein. Bioavailability studies have demonstrated that the total absorption relative to the drug in a 20% alcoholic solution is 90%, resulting in peak levels approximately 65% of that of the drug in solution. Animal studies indicate that prazosin is extensively metabolized, primarily by demethylation and conjugation, and excreted mainly via bile and feces. Less extensive human studies suggest similar metabolism and excretion in man.
In clinical studies in which lipid profiles were followed, there were generally no adverse changes noted between pre- and post-treatment lipid levels.
INDICATIONS AND USAGE
Prazosin hydrochloride capsules are indicated in the treatment of hypertension. As an antihypertensive drug, it is mild to moderate in activity. It can be used as the initial agent or it may be employed in a general treatment program in conjunction with a diuretic and/or other antihypertensive drugs as needed for proper patient response.
CONTRAINDICATIONS
None known.
WARNINGS
Prazosin hydrochloride may cause syncope with sudden loss of consciousness. In most cases this is believed to be due to an excessive postural hypotensive effect, although occasionally the syncopal episode has been preceded by a bout of severe tachycardia with heart rates of 120-160 beats per minute. Syncopal episodes have usually occurred within 30 to 90 minutes of the initial dose of the drug; occasionally they have been reported in association with rapid dosage increases or the introduction of another antihypertensive drug into the regimen of a patient taking high doses of prazosin. The incidence of syncopal episodes is approximately 1% in patients given an initial dose of 2 mg or greater. Clinical trials conducted during the investigational phase of this drug suggest that syncopal episodes can be minimized by limiting the initial dose of the drug to 1 mg, by subsequently increasing the dosage slowly, and by introducing any additional antihypertensive drugs into the patient's regimen with caution (See **DOSAGE AND ADMINISTRATION**). Hypotension may develop in patients given prazosin who are also receiving a beta-blocker, such as propranolol.
If syncope occurs, the patient should be placed in the recumbent position and treated supportively as necessary. This adverse effect is self-limiting and in most cases does not recur after the initial period of therapy or during subsequent dose titration.
Patients should always be started out on the 1 mg capsules of prazosin hydrochloride. The 2 and 5 mg capsules are not indicated for initial therapy.
More common than loss of consciousness are the symptoms often associated with lowering of the blood pressure, namely, dizziness and lightheadedness. The patient should be cautioned about these possible adverse effects and advised what measures to take should they develop. The patient should also be cautioned to avoid situations where injury could result should syncope occur during the initiation of prazosin therapy.
PRECAUTIONS
Information for Patients: Dizziness or drowsiness may occur after the first dose of this medicine. Avoid driving or performing hazardous tasks for the first 24 hours after taking this medicine or when the dose is increased. Dizziness, light-headedness or fainting may occur, especially when rising from a lying or sitting position. Getting up slowly may help lessen the problem. These effects may also occur if you drink alcohol, stand for long periods of time, exercise, or if the weather is hot. While taking prazosin hydrochloride, be careful in the amount of alcohol you drink. Also, use extra care during exercise or hot weather, or if standing for long periods. Check with your physician if you have any questions.
Drug Interactions
Prazosin has been administered without any adverse drug interaction in limited clinical experience to date with the following: (1) cardiac glycosides—digitalis and digoxin; (2) hypoglycemia—insulin, chlorpropamide, phenformin, tolazamide, and tolbutamide; (3) tranquilizers and sedatives—chlordiazepoxide, diazepam, and phenobarbital; (4) antigout—allopurinol, colchicine, and probanecid; (5) antiarrhythmics—procainamide, propranolol (see **WARNINGS** however), and quinidine; and (6) analgesics, antipyratics and anti-inflammatories—propoxyphene, aspirin, indomethacin and phenylbutazone.
Addition of a diuretic or other antihypertensive agent to prazosin hydrochloride has been shown to cause an additive hypotensive effect. This effect can be minimized by reducing the prazosin dose to 1 to 2 mg three times a day, by introducing additional antihypertensive drugs cautiously and then by retitrating prazosin based on clinical response.
Drug/Laboratory Test Interactions
In a study of five patients given from 12 to 24 mg of prazosin per day for 10 to 14 days, there was an average increase of 42% in the urinary metabolite of norepinephrine and an average increase in urinary VMA of 17%. Therefore, false positive results may occur in screening tests for pheochromocytoma in patients who are being treated with prazosin. If an elevated VMA is found, prazosin should be discontinued and the patient retested after a month.
Laboratory Tests
In clinical studies in which lipid profiles were followed, there were generally no adverse changes noted between pre- and post-treatment lipids levels.
Carcinogenesis, Mutagenesis, Impairment of Fertility: No carcinogenic potential was demonstrated in an 18 month study in rats with prazosin hydrochloride at dose levels more than 225 times the usual maximum recommended human dose of 20 mg per day. Prazosin was not mutagenic in *in vivo* genetic toxicology studies. In a fertility and general reproductive performance study in rats, both males and females, treated with 75 mg/kg (225 times the usual maximum recommended human dose), demonstrated decreased fertility while those treated with 25 mg/kg (75 times the usual maximum recommended dose) did not.
In chronic studies (one year or more) of prazosin hydrochloride in rats and dogs, testicular changes consisting of atrophy and necrosis occurred at 25 mg/kg/day (75 times the usual recommended human dose). No testicular changes were seen in rats or dogs at 10 mg/kg/day (30 times the usual maximum recommended human dose). In view of the testicular changes observed in animals, 105 patients on long term prazosin therapy were monitored for 17-ketosteroid excretion and no changes indicating a drug effect were observed. In addition, 27 males on prazosin for up to 51 months did not have changes in sperm morphology suggestive of drug effect.
Usage in Pregnancy: Pregnancy Category C. Prazosin has been shown to be associated with decreased litter size at birth, 1, 4, and 21 days of age in rats when given doses more than 225 times the usual maximum recommended human dose. No evidence of drug-related external, visceral, or skeletal fetal abnormalities were observed. No drug-related external, visceral, or skeletal abnormalities were observed in fetuses of pregnant rabbits and pregnant monkeys at doses more than 225 times and 12 times the usual maximum recommended human dose respectively.
The use of prazosin and a beta-blocker for the control of severe hypertension in 44 pregnant women revealed no drug-related fetal abnormalities or adverse effects. Therapy with prazosin was continued for as long as 14 weeks.[1]
Prazosin has also been used alone or in combination with other hypotensive agents in severe hypertension of pregnancy by other investigators. No fetal or neonatal abnormalities haven been reported with the use of prazosin.[2]
There are no adequate and well controlled studies which establish the safety of prazosin in pregnant women. Prazosin hydrochloride should be used during pregnancy only if the potential benefit justifies the potential risk to the mother and fetus.
Nursing Mothers: Prazosin hydrochloride has been shown to be excreted in small amounts in human milk. Caution should be exercised when prazosin hydrochloride is administered to a nursing woman.
Usage in Children: Safety and effectiveness in children have been not established.
ADVERSE REACTIONS
Clinical trials were conducted on more than 900 patients. During these trials and subsequent marketing experience, the most frequent reactions associated with prazosin hydrochloride therapy are: dizziness 10.3%, headache 7.8%, drowsiness 7.6%, lack of energy 6.9%, weakness 6.5%, palpitations 5.3%, and nausea 4.9%. In most instances side effects have disappeared with continued therapy or have been tolerated with no decrease in dose of drug.
Less frequent adverse reactions which are reported to occur in 1-4-% of patients are:
Gastrointestinal: Vomiting, diarrhea, constipation.
Cardiovascular: Edema, orthostatic hypotension, dyspnea, syncope.
Central Nervous System: Vertigo, depression, nervousness.
Dermatologic: Rash.
Genitourinary: Urinary frequency.
EENT: Blurred vision, reddened sclera, epistaxis, dry mouth, nasal congestion.
In addition, fewer than 1% of patients have reported the following (in some instances, exact causal relationships have not been established):
Gastrointestinal: abdominal discomfort and/or pain, liver function abnormalities, pancreatitis.
Cardiovascular: tachycardia.
Central Nervous System: parethesia, hallucinations.
Dermatologic: pruritus, alopecia, lichen planus.
Genitourinary: incontinence, impotence, priapism.
EENT: tinnitus.
Other: Diaphoresis, fever, positive ANA titer, arthralgia.
Single reports of pigmentary mottling and serous retinopathy, and a few reports of cataract development or disappearance have been reported. In these instances, the exact causal relationship has not been established because the baseline observations were frequently inadequate.
In more specific slit-lamp and funduscopic studies, which included adequate baseline examinations, no drug-related abnormal ophthalmological findings have been reported.
OVERDOSAGE
Accidental ingestion of at least 50 mg of prazosin hydrochloride in a two year old child resulted in profound drowsiness and depressed reflexes. No decrease in blood pressure was noted. Recovery was uneventful.
Should overdosage lead to hypotension, support of the cardiovascular system is of first importance. Restoration of blood pressure and normalization of heart rate may be accomplished by keeping the patient in the supine position. If this measure is inadequate, shock should first be treated with volume expanders. If necessary, vasopressors should then be used. Renal function should be monitored and supported as needed. Laboratory data indicate prazosin is not dialyzable because it is protein bound.
DOSAGE AND ADMINISTRATION
The dose of prazosin hydrochloride should be adjusted according to the patient's individual blood pressure response. The following is a guide to its administration:
Initial Dose
1 mg two or three times a day. (See **WARNINGS**)
Maintenance Dose
Dosage may be slowly increased to a total daily dose of 20 mg given in divided doses. The therapeutic dosages most commonly employed have ranged from 6 mg to 15 mg daily given in divided doses. Doses higher than 20 mg usually do not increase efficacy, however a few patients may benefit from further increases up to a daily dose of 40 mg given in divided doses. After initial titration some patients can be maintained adequately on a twice daily dosage regimen.
Use With Other Drugs:
When adding a diuretic or other antihypertensive agent, the dose of prazosin hydrochloride should be reduced to 1 mg or 2 mg three times a day and retitration than carried out.
HOW SUPPLIED
Available as an ivory capsule, filled with white powder, imprinted Z4067, containing prazosin HCl, USP, equivalent to 1 mg of prazosin, packaged in bottles of 100, 250, and 1000 capsules; as a pink capsules, filled with white powder, imprinted Z4068, containing prazosin HCl, USP, equivalent to 2 mg of prazosin, packaged in bottles of 100, 250, 1000 capsules; and as a blue capsule, filled with white powder, imprinted Z4069, containing prazosin HCl, USP, equivalent to 5 mg of prazosin, packaged in bottles of 100, 250 and 500 capsules.
NDC Numbers:

1 mg (as prazosin)	2 mg (as prazosin)	5 mg (as prazosin)
0172-4067-60 (100's)	0172-4068-60 (100's)	0172-4069-60 (100's)
0172-4067-65 (250's)	0172-4068-65 (250's)	0172-4069-65 (250's)
0172-4067-80 (1000's)	0172-4068-80 (1000's)	0172-4069-70 (500's)

PHARMACIST: Dispense in well-closed, light-resistant container as defined in the USP. Use child-resistant closure.
Store at controlled room temperature 15-30°C (59-86°F).
Protect from light and moisture.
CAUTION: Federal law prohibits dispensing without prescription.
REFERENCES
[1]Lubbe, WF, and Hodge, JY: *New Zealand Med J* 94 (691) 169-172, 1981.
[2]Davey, DA, and Dommisse, J: *S.A. Med J*. Oct. 4, 1980 (551-556).
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Generic Substitution Study

DRUG STORE NEWS® INSIDE PHARMACY PHARMACIST EDITION

Pharmacists responding to a survey on generic substitution pointed to consultation as a major consideration in switching consumers from branded drugs to generic counterparts.

Bioavailability and effectiveness top Rx'ers generic drug concerns

Continued from page IP27

get a branded or generic drug. The pharmacists said that many managed health care formularies connected to HMOs and PPOs and some state substitution laws leave consumers no choice between generic and brand. In those cases, cost containment is always the determining factor, and more times than not, it mandates that a generic be dispensed where available.

GeneRics 1989 Substitution Survey

Why pharmacists substitute/purchase one generic over another

Reason	Scale*
Cost saving to the customer	4.07
Professional reputation of generic company	4.06
Therapeutic/Bioequivalency of the product	3.94
Product availability	3.70
Improved profit	3.54
Patient request	3.40
Store/company policy	2.58
Rebates or other incentives	1.61

*Based on a scale of 1 to 5 (5 the highest, 1 the lowest)

Source: *Drug Store News/Inside Pharmacy* 1989 Generic Substitution Survey

How pharmacists promote generic substitution

Method	% Responding
In-store signs/brochures	86%
Pharmacists' consultation	36
Newspapers	22
On prescription bags	20
Radio	13
Word of mouth	9
Television/magazines	5
Direct mail ads	4
Doctors' consultation	2

Percentages add up to greater than 100% due to multiple responses

Source: *Drug Store News/Inside Pharmacy* 1989 Generic Substitution Survey

The same is true for most mail-order pharmacies as well.

Pharmacists answering the survey were asked to rank those factors they felt influenced generic substitution in the retail marketplace. On a scale of 1 to 5, with 5 being the highest and 1 the lowest, "price" pulled in an average strength of 4. Third-party programs such as HMOs and PPOs, and state substitution laws both were rated with a 3.5 or greater. Mail order and physician dispensing respectively rated lower.

Pharmacists make a difference

It should be no surprise to anybody in retail pharmacy that generic substitution is on the rise. But what may come as a surprise to many is that much of that increase is due directly to pharmacists' consultations.

The survey showed that although the primary method used by pharmacists to promote generics in their stores was in-store signs and brochures, pharmacists' consultations ranked high.

More than one-third said consultation was an important method of promoting the use of generics over branded drugs. Other key areas of promotion included ads in newspapers, on prescription bags and radio and by word of mouth. Surprisingly, the pharmacists felt that a doctor's consultation with patients at the time the prescription was written was relatively unimportant in promoting the use of generics. However, the survey also showed that th

Continued on page IP

Generic Substitution Study

DRUG STORE NEWS® INSIDE PHARMACY PHARMACIST EDITION

Generics save consumers' $: Rx'ers

GeneRics 1989 Substitution Survey

Continued from page IP30

way physicians write prescriptions *did* play a major role in the increase in generic substitution at drug stores.

The survey clearly showed that the branded pharmaceutical companies are apparently losing their battle against generic substitution, even though the opportunity exsists for them to capture much of that business once the prescription is written.

According to the survey, while only a little more than one-third of the prescriptions written by physicians permitted generic substitution, only 30 percent are actually being filled by the branded product, the rest are filled generically. The survey uncovered that 36.6 percent of all prescriptions pharmacists fill are written for the brand-name drug with an indication that *substitution is permitted*; only 14.5 percent of prescriptions written are for the brand with *no substitution permitted*. That gives the branded pharmaceutical companies the opportunity to grab nearly half of all the prescriptions written.

But, much to the branded manufacturers' chagrin, the pharmacists polled said that when the prescription allows for substitution, 70 percent are, in fact, being filled with a generic substitute. Only 20.1 percent of prescriptions are written for the generic originally, and 28.8 percent of all prescriptions were for a single-source drug that does not have a generic counterpart.

The survey showed that the top five branded drugs most heavily substituted included, in descending order, Tylenol with Codeine #3, Motrin, Dyazide, Darvocet-N 100 and Lasix.

Finding generics not a problem

The pharmacists surveyed were asked if they were having any problem finding suitable generics to use given mandated HMO and other third-party formulary guidelines for substitution. More than one-third of the sample said they had no difficulty finding appropriate generics, while another 20 percent said they found it "somewhat difficult" locating generics to fit various formulary guidelines.

When the pharmacists were asked if any company or group tried to influence them *not* to substitute, more than half said they were influenced in one way or another not to substitute a generic for a particular brand.

The effects of patent loss

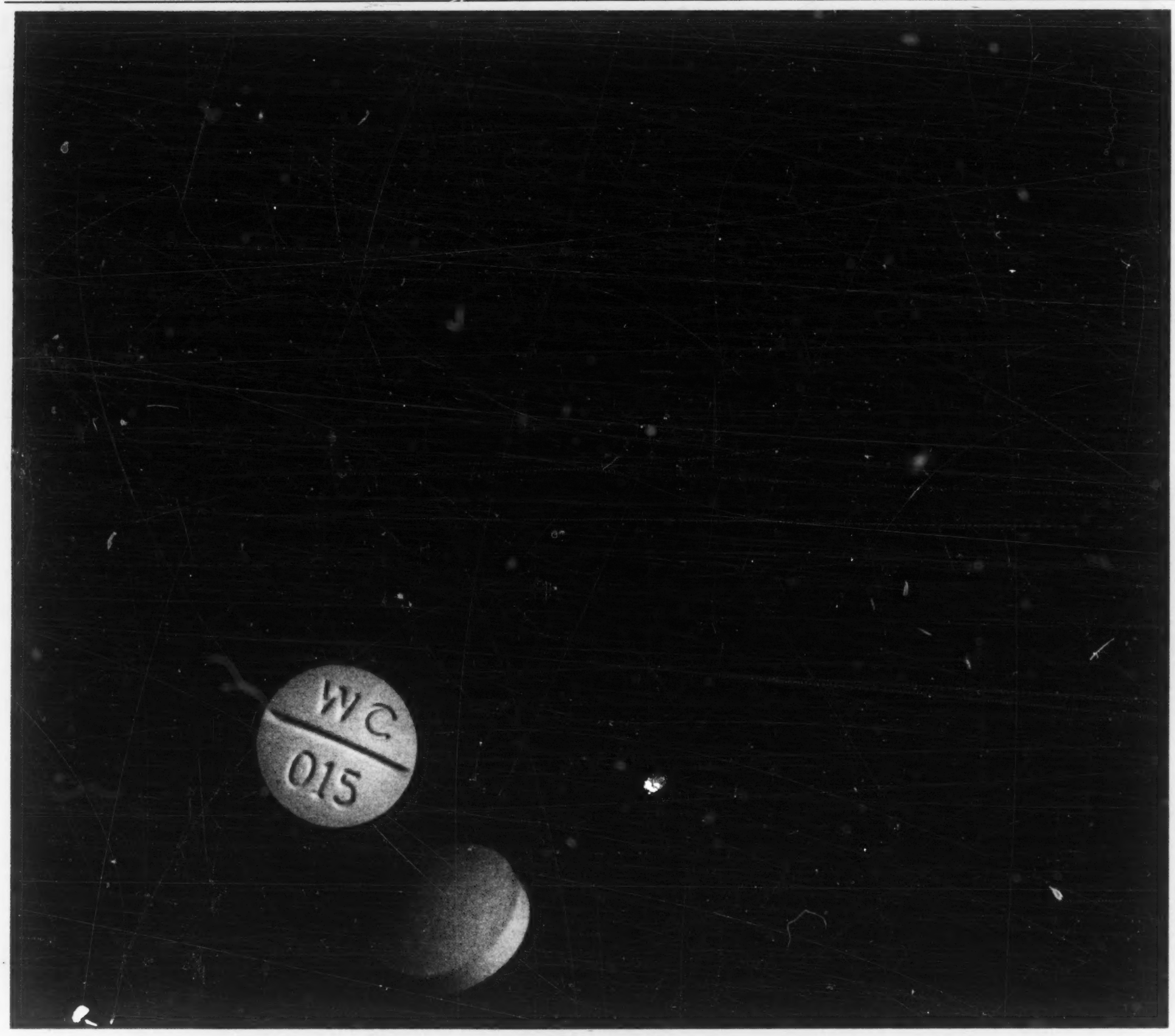
The biggest pressures not to substitute, they said, came from several branded manufacturers. "Most of the major manufacturers are very upset when they lose their patent," said one pharmacist. Another said "Most reps will lie to influence you." Many said that branded companies, through their sales force, try to "dispute bioavailability claims." But at least one pharmacist said that if these companies "can prove that there is a real difference," then he stays with the branded drug.

Factors affecting generic substitution

Reason	Scale*
Price	4.00
Managed health care (HMO's, PPO's, PSAO's etc.)	3.70
State substitution laws	3.50
Mail order	3.47
Uniformity in size, shape and color of generic product	3.16
Insurance plans with "generic only" policies	2.00

*Based on a scale of 1 to 5 (5 the highest, 1 the lowest)

Source: *Drug Store News/Inside Pharmacy* 1989 Generic Substitution Survey



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FINANCIAL

Perry's profits climb for 2nd qtr., six months

PONTIAC, Mich. — For the third consecutive quarter, Perry Drug Stores reported significant profit improvement for the second quarter ended April 30.

Net earnings for the quarter, after applying a tax loss carryforward, totaled $722,000, or 7 cents a share; a 163-percent gain over the $275,000 earnings from continuing operations after taxes, or 3 cents a share, reported for the same period last year.

For the six months, net earnings, after applying a tax loss carryforward, increased to $4.9 million, or 49 cents a share; a 133-percent gain over earnings of $2.1 million from continuing operations after taxes, or 21 cents a share, reported for last year's first half.

"Obviously, we are very pleased with our continued improvement in profitability," said Jack A. Robinson, chairman and ceo. "Our margins continue to improve, and we are maintaining control over warehouse, store operating and administrative expenses."

Second-quarter sales were $159 million, compared with $158 million for the year-earlier period. Sales for the six months were $344 million, a 3-percent increase over the $334 million reported for the half last year.

Sales increases were softer than the company had hoped for, Robinson said, reflecting decreases resulting from the removal of auto parts from Perry stores and some temporary slowdown in sales caused by disruptions from store remodeling.

"We expect to regain these sales as auto parts are replaced with traditional drug store merchandise and the remodelings are completed," Robinson said.

The 220-store chain has completed renovation of 50 stores into its "Store of the 1990s" format and targets 30 more remodels by fiscal year end Oct. 31.

Perry said it had closed or sold six unproductive drug stores as of May 30 and opened three new stores.

"Overall, with margins continuing to improve and expenses under control, we expect that fiscal 1989 will be a very good turnaround year for our company," Robinson said.

Big B posts sales record of $271M for fiscal 1989

BESSEMER, Ala. — At its annual meeting to shareholders held here recently, Big B announced a new sales record of $271.3 million for fiscal 1989, up 9.1 percent from the previous year.

The Alabama-based chain, which recently added 85 former Reed drug stores to its roster and expanded its trading areas to Atlanta and Columbus, Ga., also reported sales from drug stores were up 21.8 percent for fiscal '89, resulting from a same-store sales increase of 9.5 percent and sales from the 23 new Big B drug stores and six Drugs For Less deep discount drug stores that opened during the year.

Mac Jones, executive vp, told *Drug Store News* that the former Reed stores have all been renamed Big B. Jones also said that the chain is continuing to look for additional opportunities in the five states where the chain operates (Alabama, Georgia, Florida, Tennessee, and Mississippi). "We have no plans at the current time to move outside these areas," Jones said. The chain plans to open 15 to 20 new stores this year.

Several of the new units will be Drugs For Less, but the majority of new stores will be Big B drug stores.

Big B stepped up its advertising strategies somewhat since the chain acquired the 85 stores. "We've used television and radio more prominently for the grand opening of the new stores," Jones said, but after that initial push, the new stores will follow the Big B's standard advertising policy. "We'll continue to use a combination of tabloid ads, regular newspaper ads, and some television and radio commercials during peak seasonal selling times," he said.

In honor of the grand opening celebration of the 85 stores, Big B is holding a drawing to give away a Ford convertible. He said the drawing will be held before July 4th.

In other changes, Jones said the chain was forced to make some operational cutbacks, eliminating some Reed employees whose job descriptions overlapped with employees of Big B. And all former Reed stores now carry Big B's pricing strategy, which Jones said is significantly lower than what Reed offered.

Bindley's 1st quarter: sales up, net down

INDIANAPOLIS — Bindley Western Industries reported sales increased 17 percent while earnings declined 24 percent for the first quarter ended March 31.

Net earnings for the quarter were $901,000, versus $1,178,000 in the 1988 period. Sales rose to $362.2 million from $309.6 million.

The company said the main cause of the earnings drop was a $695,000 increase in interest expense, of which about $400,000 related to the cost of carrying the Revco pre-bankruptcy petition accounts receivable.

Additional factors included a provision for LIFO charges that amounted to $200,000 more in 1989 than in the previous year, startup costs associated with moving the Dallas division into a new full-line facility, and increased sales costs of implementing new marketing programs in six divisions, according to the company.

The wholesaler operates 10 distribution centers.

Name	Symbol	STOCK PRICE From 05/26/89 - 06/12/89 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct.	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	66.88	62.63	65.13	2.13	3.37	66.88	47.63	2.54	-1.54 q	-38.9	26.9	1.00	1.5
Arbor Drugs	ARBR	25.00	23.75	25.00	1.50	6.38	25.00	12.00	1.05	-.05 n	-4.9	25.8	.16	.6
Big B	BIGB	13.75	11.38	13.75	2.38	20.88	15.88	10.75	.91	-.22 q	-20.8	16.4	.16	1.2
Fay's Drug	FAY	12.63	11.25	12.00	.28	2.40	12.63	7.28	.66	.29 q	70.7	17.1	.18	1.5
Genovese Drug	GDX	12.25	10.75	11.00	-1.25	-10.20	12.88	8.75	.83	.20 f	31.7	13.3	.22	2.0
Longs Drg Strs	LDG	39.50	37.75	39.00	.25	.65	39.50	33.63	2.75	.35 q	14.2	13.9	.96	2.5
Medicare Glaser	MGCO	5.75	5.75	5.75	.00	.00	5.88	2.00	-.10	-.23 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	31.75	29.25	30.50	1.50	5.17	31.75	20.75	1.11	.30 s	31.6	24.4	.10	.3
Perry Drug	PDS	12.50	10.75	11.88	1.00	9.20	13.50	5.25	-3.15	.17 q	NE	NE	.00	.0
Rite Aid Corp	RAD	36.50	35.00	36.13	.75	2.12	39.00	29.13	2.30	-1.11 f	-32.6	15.7	.82	2.3
Walgreen Co	WAG	43.25	39.63	43.25	3.75	9.49	43.25	27.13	2.10	.43 s	22.4	18.4	.68	1.6
Wholesaler's transactions														
Alco Health Svcs	AAHS	24.75	23.50	23.50	-1.75	-6.93	30.25	22.75	1.55	-.11 q	-7.4	17.0	.06	.3
Bergen Brunswig	BBCA	29.50	28.75	29.38	.13	.43	30.25	18.75	1.78	.89 s	67.9	13.4	.32	1.1
Bindley Wstn	BIND	9.00	8.00	8.88	.88	10.94	10.00	6.63	.58	.22 q	68.8	16.4	.00	.0
Cardinal Distrib	CDIC	23.50	20.75	23.25	3.00	14.81	23.50	14.09	2.37	1.16 f	95.9	9.8	.08	.3
Durr Fillauer	DUFM	23.00	21.25	23.00	1.75	8.24	23.00	13.13	.92	.09 q	9.7	22.5	.24	1.0
Ketchum	KCH	5.38	5.00	5.13	-.13	-2.38	10.38	4.75	-4.73	-1.44 q	NE	NE	.00	.0
McKesson Cp	MCK	35.00	32.00	34.75	2.13	6.51	35.75	29.63	2.30	.07 f	3.1	15.1	1.44	4.1
Moore Med	MMD	14.00	12.50	13.75	.88	6.80	15.63	9.00	-2.17	-4.00 q	-100.0	NE	.00	.0
Owens Minor	OMI	13.25	11.50	12.88	.88	7.29	15.88	11.38	1.00	-.07 q	-7.4	14.6	.26	2.0
Manufacturer's transactions														
Abbott Labs	ABT	61.13	57.25	59.88	1.13	1.91	61.13	43.50	3.33	.53 q	18.2	17.4	1.40	2.3
Am Home Prod	AHP	95.63	92.50	95.13	1.25	1.33	96.63	72.25	6.38	.66 q	11.2	14.5	3.90	4.1
Baxter Intl	BAX	21.88	20.75	21.00	-.75	-3.45	21.88	16.25	1.31	.15 q	12.6	15.7	.56	2.7
Block Drugs Co	BLOCA	36.00	35.00	36.00	.75	2.13	36.00	27.50	2.55	.26 f	11.4	14.1	.64	1.8
Bolar Pharm	BLR	32.25	28.00	29.25	1.25	4.46	32.25	16.38	1.51	.45 q	41.3	19.0	.04	.1
Bristol-Myers	BMY	50.50	48.88	49.88	-.50	-.99	51.25	39.00	2.88	.38 q	14.7	16.8	2.00	4.0
Carter-Wallace	CAR	48.75	44.63	48.13	3.00	6.65	48.75	35.88	2.97	.47 f	18.8	16.2	.68	1.4
Forest Labs	FRX	33.50	31.13	33.13	1.75	5.58	33.50	19.25	1.20	.24 f	25.0	27.6	.00	.0
ICN Pharm	ICN	6.88	6.38	6.50	-.13	-1.89	7.75	5.63	.23	1.82 q	NE	50.0	.00	.0
Lee Pharm	LPH	4.38	3.88	4.13	.00	.00	7.13	3.75	-.23	.49 s	NE	NE	.00	.0
Leiner P Nutri	PLI	20.88	18.00	19.75	2.13	12.06	20.88	9.13	1.12	.26 f	30.2	17.6	.00	.0
Lilly Eli Co	LLY	57.63	54.50	56.75	.88	1.57	58.50	40.19	2.67	.53 q	22.8	19.9	1.35	2.4
Marion Labs	MKC	27.75	25.00	26.00	-1.38	-5.02	28.25	16.38	.96	.39 n	44.3	20.5	.36	1.4
Merck & Co	MRK	72.25	68.50	70.88	.38	.53	72.88	53.50	3.05	.80 q	33.1	22.0	1.64	2.3
Morton Thiokol	MTI	47.38	45.38	46.88	.50	1.08	50.00	35.63	3.33	-.82 n	-24.8	18.9	.92	2.0
Mylan Labs	MYL	10.63	9.75	10.50	.50	5.00	13.25	7.50	.50	-.20 f	-28.6	21.0	.10	1.0
Newport Pharm	NWPH	6.44	4.56	5.00	-1.19	-19.19	6.56	1.75	-.45	-.42 q	NC	NE	.00	.0
Par Pharm	PRX	11.25	9.88	9.88	-.75	-7.06	18.50	7.88	.99	-.21 s	-18.9	11.0	.04	.4
Pfizer Inc	PFE	62.50	60.63	61.13	-.13	-.20	64.25	49.63	4.70	.56 q	13.1	12.7	2.20	3.6
Robins, AH	QRAH	27.00	26.50	26.75	-.38	-1.38	28.38	21.88	2.42	67.78 q	NE	10.6	.00	.0
Rorer Group	ROR	41.38	39.13	39.75	-1.50	-3.64	48.25	32.25	1.96	-.55 q	-21.6	19.9	.80	2.0
Scherer RP Cp	SCHC	30.50	15.75	16.00	-14.00	-46.67	33.38	15.75	.76	-.28 f	-26.9	21.1	.40	2.5
Scher Plough	SGP	69.50	66.13	68.25	.88	1.30	69.50	49.50	3.48	.77 q	26.4	18.5	1.80	2.6
Squibb Corp	SQB	81.75	77.50	80.38	-.75	-.92	83.50	60.00	4.30	.85 q	23.3	17.9	2.00	2.5
Syntex Corp	SYN	54.50	46.63	52.25	4.50	9.42	54.50	35.00	2.51	.37 n	15.4	18.8	1.50	2.9
Upjohn Co	UPJ	33.25	31.38	32.50	.50	1.56	34.50	27.00	1.90	.24 q	14.0	16.7	.88	2.7
Warner-Lambrt	WLA	93.00	88.25	91.38	1.63	1.81	93.00	64.50	5.00	.92 q	21.1	17.3	2.56	2.8
Zenith Labs	ZEN	1.63	1.38	1.63	.13	8.33	2.75	1.00	-.89	-.33 f	NE	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	49.25	45.13	48.25	2.63	5.75	49.25	30.00	2.44	.60 q	30.5	18.8	.80	1.7
K mart Cp	KM	38.38	36.25	37.25	-.63	-1.65	40.38	31.25	4.00	.44 q	12.8	9.6	1.64	4.4
Melville Cp	MES	46.88	43.25	44.00	-.63	-1.40	46.88	32.00	1.63	-1.12 q	-40.6	26.8	1.30	3.0
Penney, JC	JCP	59.75	56.00	57.38	-1.63	-2.75	60.13	44.88	6.02	1.87 q	45.0	9.5	2.24	3.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

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DRUG STORE NEWS®

SECOND CLASS

Vol. 11/No. 14 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. July 24, 1989

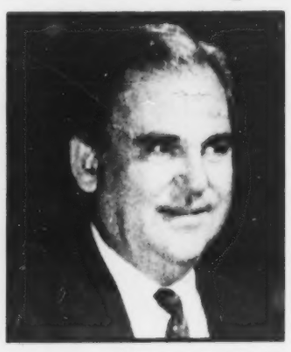
NACDS Marketplace hits high notes in the heartland

By Al Heller

NASHVILLE — NACDS struck responsive chords with the 1,642 attending its Third Annual Marketplace Conference here at Opryland, the heartland of country music.

This mid-year event is climbing the popularity charts because of a favorable four-to-one vendor-to-retailer ratio, high levels of supplier and drug chain involvement and broadened category exposure. But the Marketplace Committee, which saw 305 retailers from 87 drug chains swoop into the Southeast last month to explore business opportunities with 1,300-plus vendor executives, is planning carefully to minimimize growing pains of its fledgling event.

Heller



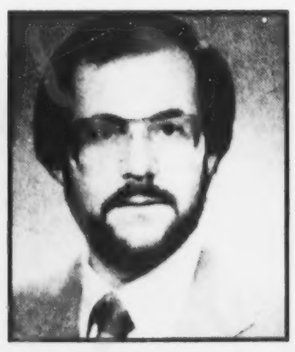
Ziegler

Gerald Heller, ceo of May's Drug Stores and NACDS chairman, told *Drug Store News* he thought perhaps five hotels in the U.S. could handle Marketplace as it has grown, and the Committee's sentiment is not to go into a convention center in 1991 for fear of dilution. The 1990 Marketplace is set for Loew's Anatole in Dallas, June 17-20.

Harvey Greene, senior buyer at Revco and a committee member, said he would sug-

See **NACDS** *page 24*

Grass



Montini

Dalton

R. Grass names team for new chain born of Peoples purchase

By Susan Ball

INDIANAPOLIS — Roger Grass, who with another former Rite Aid executive and Acadia Partners L.P. entered a definitive agreement recently to buy Peoples Drug Stores' 120 former Haag Drug units in the Midwest, announced the new drug store chain's key management lineup.

In addition to Grass, who will be president, the team includes:

- Charles C. Conaway, executive vp, who joined Grass and Acadia in the venture and who was formerly director of third-party programs at Rite Aid.
- Carl Cain, senior vp-retail store operations, formerly Rite Aid regional vp-store operations.
- Tony Montini, senior vp-purchasing and merchandising, formerly vp-purchasing and administration at Rite Aid.
- David L. Dalton, senior vp-pharmacy operations, former Rite Aid vp-professional relations.
- John Foster, senior vp-administration and distribution, formerly with Rite Aid.

The new management team is setting up operations at Peoples' 250,000-square-foot office and warehouse facility on Indianapolis's Airport Expressway.

Others named to management posts include Bill Masters, vp-MIS; Hershel Workman, vp-accounting and controller; and Henry Kowalczyk, vp-security. Masters was an executive with Begley Co.'s dry-cleaning operations, which Rite Aid acquired along with the Kentucky chain's drug stores last year. Workman was also formerly with Begley, and Kowalczyk, who most recently was vp-security at Odd Lot Trading, was previously employed by Rite Aid.

Although many members of management previously worked for Rite Aid, spokesmen at both companies said

See **Grass** *page 125*

Schiff succeeds Hart as Pay Less ceo; exec. vp McAlear named to COO post

By Pamela Meek

WILSONVILLE, Ore. — As anticipated, Pay Less NW president Ron Schiff has been named chief executive officer, replacing Ed Hart, who retired from the chain in June. At the same time, Pay Less executive vice president Tim McAlear has been named chief operations officer.

Schiff takes over a company that has been both well run and managed by Hart for 20 years. Hart, 65, started with Pay Less some 40 years ago and became ceo in 1969. Hart was also Pay Less' chairman, a position that will not be replaced since most of parent K mart's subsidiaries do not have chairmanship titles.

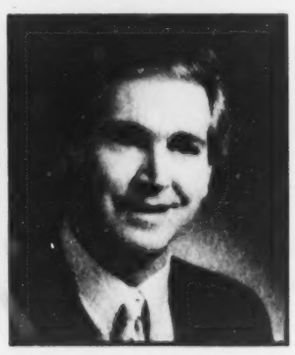
While Schiff takes on a great legacy, he too has spent considerable time with 276-store Pay Less, and in recent years he had been groomed to take over Hart's slot. Schiff started with Pay Less in 1958 as a pharmacy intern and later joined the chain full time upon graduation in 1960. After staying at store-level until 1972, Schiff was named vp-merchandising. He was then named vp-operations in 1980, was promoted to executive vp in 1985 and then became president and chief operations officer in 1986.

Because of the many years under Hart's leadership, and their personality similarities, Schiff told *Drug Store News* "no major changes are going to occur. Ed Hart and I are very much alike."

Schiff said the key strength he brings to the job is that "I can get people to do really well for themselves and for the company." During the past two-and-a-half years, Schiff said he has rid the chain of many operating policies in or-

See **Schiff** *page 125*

Schiff



McAlear

LATE NEWS

- DEERFIELD, Ill. — Walgreen Co. net earnings advanced 25 percent and net sales gained 11.1 percent for the third quarter ended May 31. Net earnings increased to $38.5 million, from $30.8 million, on net sales of $1.4 billion, up from $1.2 billion.
- MONTREAL — Imasco Ltd. stock shot up July 11 after European investor Sir James Goldsmith made a $21.2 billion bid for B.A.T. Industries PLC, which owns 40.4 percent of Imasco. Imasco owns Shoppers Drug Mart and Peoples Drug.
- ST. LOUIS — Industry sources expect Wal-Mart, K mart, Dayton Hudson and at least one management group to bid for the 120-store Caldor and 73-store Venture discount chains being auctioned by May Department Stores.
- PONTIAC, Mich. — Perry Drug Stores said it is "re-examining (its) position in the Milwaukee market" after agreeing to sell 3 of its 10 stores in southeastern Wisconsin to Walgreens.

Affil./Assoc show will blow into Chicago

By David Vaczek

NEW YORK — Take New York. . . please.

That was the reaction from retailers and vendors who are applauding Affiliated/Associated Drug Stores' announcement that the 1990 spring buying show will be in Chicago.

The move is stunning, since this will be the first time in all its years that Affiliated/Associated or its separate predecessor organizations has held a buying show outside the Big Apple. The spring exhibition will be March 30 to April 4 at the Chicago Hilton and Towers.

Hosting at least one of the buying group's two buying shows elsewhere has been discussed for some time, president Phil Weinstein told *Drug Store News*. Affiliated members have felt that a heartland-based show would attract new regional vendors, and relieve the strain New York City places on members' pocketbooks and nerves.

"New York is a very uncomfortable place. For 22 years I've been going to the Associated and Affiliated meetings and I have always dreaded it," said David Marks, president of D.M. Merchandising, the Chicago-based promotional jewelry company. He said members attending the spring show in Chicago will be pleasantly surprised to find rooms for about $90 near the downtown.

Central location needed

Chicago is "more centrally-located, and New York is a hassle. I've been suggesting this for the last 10 years," said Mel Rosenthal, president of M.R.G. & Associates, of South Barrington, Ill., a maker of music products, sunglasses and promotional

See **Affil./Assoc.** *page 125*

NEWS IN BRIEF

Strike forces Pay Less Tacoma to close

TACOMA, Wash. — After a year-long unresolved labor dispute crippled its business, one-time five-store operator Pay Less based here has ceased operation.

The chain's retail clerks went on strike in June of 1988 and continued to picket the company until the last Pay Less store closed. Pay Less closed one store in April, then sold the lease and script files of another store to Pay Less NW in late May. The remaining three stores were liquidated and then closed in May and June.

McK realigns Ark., Okla. distribution

SAN FRANCISCO — McKesson recently closed its Ft. Smith, Ark., distribution center. Stores previously serviced by this facility are now serviced through the company's new 204,500 square-foot warehouse in Oklahoma City, Okla.

This new DC delivers to McKesson customers throughout Oklahoma, as well as in northern and northwestern Arkansas. It is equipped with advanced picking and product-transfer equipment.

Jones gets new position at Hook-SupeRx

INDIANAPOLIS — Michael H. Jones was recently named vp-warehousing and distribution for Hook-SupeRx Inc. (HSI), a new, corporate-level position.

Larry Spetter succeeds Jones as director of warehousing and distribution for the Hook Drugs division. Henry Diprette remains director of warehousing and distribution at Brooks.

The new corporate position is a "logical extension" of HSI's policy to develop a coordinated plan of warehousing and distribution for all three divisions of HSI, which include the Hook, SupeRx, and Brooks divisions, said Raymond W. Rizzo, HSI secretary.

Hook Drugs operates a warehouse at HSI headquarters here, and Brooks operates two warehouses in Pawtucket, R.I. SupeRx does not operate a warehouse, but buys through a division of Kroger.

Price-Rite closes its doors

SACRAMENTO — H&BA warehouse club Price-Rite has apparently gone out of business. According to a report in the *Sacramento Bee*, the one-store operator that combined a deep discount drug store approach with the membership warehouse club format closed its doors late last month. Company founders were unavailable for comment.

Aitchison named prez of Alco subsidiary

CHESTER, Pa. — Robert L. Aitchison, formerly vp-marketing for Alco Health Services, has been named president of Rita-Ann Distributors, a wholly-owned subsidiary of Alco that specializes in cosmetics and fragrances. He succeeds Richard Packel, who will remain active as a consultant. Aitchison's former position has not been filled yet.

Rita-Ann Distributors primarily serves independents and small regional chains east of Missouri. Aitchison said his main objectives will be to "grow this business within our markets and agressively go after new markets."

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Hoven pledges strong Rx, in-stock efforts at Revco

TWINSBURG, Ohio — Former senior vp-distribution Dwayne Hoven reaffirmed Revco's commitment to a strong pharmacy franchise, improved customer service and a strong in-stock position after taking the reins as the head of store operations last month.

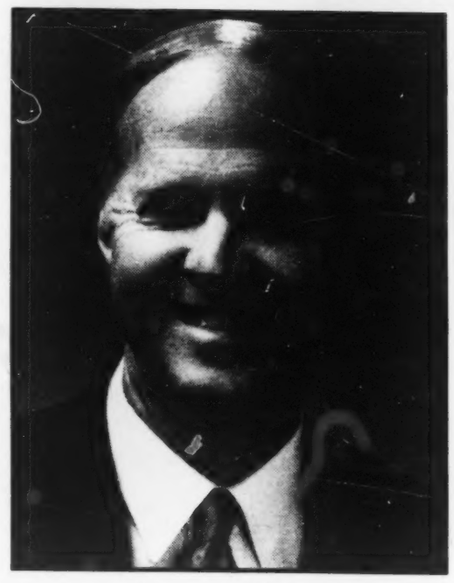
Hoven, 47, succeeded Carl Bellini as executive vp-stores in mid-June after serving as head of distribution since joining Revco in January 1988. He has worked as executive vp-operations for TG&Y Store Co. and chief operations officer of Sav-A-Stop.

Hoven now has complete responsibility for all aspects of store and pharmacy operations and loss prevention, and will report directly to chairman and ceo Boake Sells.

Replacing Hoven as head of distribution is William Seltzer, who has been promoted to senior vp-distribution and systems. Seltzer, 50, will continue to head up the development, implementation and maintenance of all MIS and data processing systems for the chain.

In a letter to all Revco employees following the announcement, Hoven said he would build on the "careful strategic plans" already laid down by Revco's managers to turn the huge drug chain around.

"There are three things that we must continue to do well," Hoven noted. "Emphasize the pharmacy; implement 'Every Customer, Every Time,' (Revco's customer service program); and maintain our strong in-stock position."



Dwayne Hoven

Pharmacy, he noted, remains the key to Revco's turnaround. "Every action we take, every dollar we invest, comes from our belief that in the pharmacy lies our future. That is what will make Revco strong again. I will never take any action that would deviate us from that course."

Customer service would also see "a great deal of emphasis," Hoven promised, as would the constant improvement of Revco's in-stock situation.

"We've made great strides in improving our in-stock position," he noted. "It's not perfect yet, but it's a lot better now than it was. . . We must do even better."

Hoven, who praised Bellini for setting store operations "absolutely on the right track," indicated that he would pursue a steady course rather that implement new, wholesale changes in store operations.

"Will I do some things my own way? Of course, who wouldn't? However, you'll find I'm not someone who's going to rearrange all the deck chairs," Hoven wrote.

Revco to near the 500-store mark in scanner installation program

TWINSBURG, Ohio — Revco D.S. has begun equipping another 400 drug stores with POS scanning systems in a year-long project. The systems will be used to streamline checkout service and store accounting, cut missrings and paperwork, automate price changes, improve inventory control and merchandising, track product movement, and "respond better to customer wishes," according to executive vp-marketing Jim Adamson.

The systems are based on IBM 4680 equipment, with Telxon 750 inventory control systems and software developed by Revco. The chain launched its scanning test last fall, and already has scanners in 80 units.

"Revco has gathered people with a great deal of systems experience, probably more than any other drug store chain," said Bill Seltzer, senior vice president-distribution and systems. "We are on our way to creating systems that will help Revco lead in the industry."

Shulton reaches $4M settlement in diversion case against 4 firms

By James Frederick

WAYNE, N.J. — American Cyanamid Co.'s Shulton Group has reached a $4 million settlement with four supplier companies it charged with illegally obtaining and diverting Shulton products intended for export.

The voluntary payments by the four companies—Moore Medical Corp., Interstate Cigar Co., Quality King Distributors and Tereza Merchandising Corp.—close the books on a court battle that began in 1985.

In its original lawsuit, Shulton charged the four firms under the Racketeer Influenced and Corrupt Organizations Act (RICO) with a range of deceptive practices allegedly used to obtain and deal in gray-market merchandise in 1981 and 1982. Those practices cost Shulton $5 million in lost revenues, according to the charges.

In a statement, Shulton alleged that the firms "used 'front' companies, fake shipping documents, deceptive letters of credit and other unlawful acts to obtain and divert Shulton merchandise sold for export."

Prohibitions instituted

In addition to the $4 million in total payments, the four defendants are also prohibited from dealing in American Cyanamid products obtained through fraud or other illegal means. A court order by Judge Nicholas Politan of the U.S. District Court in Newark also prohibits Moore Medical and Teraza from dealing in any of the Cyanamid's products without its written consent.

As part of the negotiated settlement, Interstate Cigar and Quality King are also restricted from dealing in any Cyanamid merchandise intended for export or made overseas and not intended for U.S. distribution.

No guilt or liability admitted

In agreeing to the terms of the settlement, none of the four companies admit any guilt or liability. Said Sherman Saiger, legal counsel for Interstate Cigar, "It was cheaper for us to settle than to try the case. We don't think a jury would have judged against us.

"They went after the companies with the deepest pockets," he added. "What they're doing is trying to close down the promotional wholesalers, the secondary markets for their goods, so they can sell everything direct at a higher profit."

Adding "We didn't buy the goods directly from Shulton, we bought them from another wholesaler two or three steps removed," Saiger said "We don't expect [the settlement] to have any impact on the way we do business whatever."

"We've never admitted any wrongdoing or liability," added Jerald Rome, president of Moore Medical. "[Shulton] had accused a supplier of diverting their merchandise, and we purchased products having no knowledge of this. Because of the RICO statute, we agreed to settle to avoid the possibility of being hit with triple damages." *(Editor's note:* Under RICO provisions, juries may award plaintiffs

Continued on page 125

SPECIAL SAMI REPORT

Criteria selection shows category strengths

Ranking drug store products by different criteria can sometimes produce extremely varied results.

As an example, internal analgesics account for more retail dollars than any other category tracked by SAMI in drug stores ($814.9 million as of the year ended May 19, 1989), but the category ranks fourth in sales per brand and tenth in drug store sales per item.

The category with the highest sales rate per item on a national basis through drug stores is home testing kits, which had 52-week volume of $76.1 million, ranking the category 45th in annual sales. That was generated by only 35 items. Annual volume of dry cell batteries through drug stores amounted to $343.9 million, or No. 7 among all categories; because there are only 15 brands competing in one or more markets, the "average" brand enjoyed sales of $22.9 million.

The shampoo category had the largest number of competing brands, 277 sold through drug stores, followed closely by hair conditioning rinses, at 243. The primary reason for their parallel high brand counts: manufacturers often introduce shampoos and hair conditioners simultaneously, or within a brief time period. Hand and body cream-lotions ranks third in brand offerings at 182.

Other categories with high brand counts: chocolate candy bars and non-chocolate candy bars, each, coincidentally, with a total of 172 different brands for sale. Also, two categories of proprietary remedies: synthetic vitamins (161) and cough remedies (149). First aid antiseptics had 139 different brands. Consumers nationwide also could choose from 152 different brands of hair dressing needs, including hair grooms for men, unisex items and ethnic preparations.

PRODUCT TRACKING
ALAN MILLER

The category with the largest number of individual items in drug stores was natural vitamins, minerals and supplements with 1,956. In comparison, one can find 1,525 different shampoo items in one or more drug stores in the Arbitron/SAMI roster of 54 major markets; hair conditioning rinses (1,134) were close to shampoos. Other categories with high numbers of items: synthetic vitamins (1,251), hand and body cream/lotions (999), chocolate candy bars (928), hair dressing needs (853), and cold remedies (849). Also, internal analgesics (949), facial preparations (884) and cold remedies (849).

In the compilation of categories with the highest average sales per brand, tampons rank second to dry cell batteries in average sales per brand, $14.4 million. The "average" brand of disposable baby diapers had annual drug store sales of $10.1 million. Two food categories appear on this list, measured diet meals ($6.5 million) and formula baby food (6.3 million). Eye care products enjoy a high sales rate both on a brand and item basis, as do home testing kits, internal analgesics, tampons and diapers. Contraceptives, with an annual average sales rate of $860,000 per item, rank ninth in this list and packaged candy/non-chocolate candies occupy the sixth spot, behind chest rubs, where the average item accounts for $1.3 million.

These are some of the highlights of this special study prepared for *Drug Store News* by Arbitron/SAMI. Readers wishing to access more detailed information are invited to contact Warren Spence, vp H&BA marketing, Arbitron/SAMI, 55 Greens Farms Road, Westport, Conn. 06880.

Product categories with highest annual sales per item in drug stores

(All 54 SAMI markets combined, year ending 5/19/89; retail sales in millions of $)

Home testing kits	$2.2
Formula baby food	1.6
Measured diet meals	1.4
Disposable baby diapers	1.3
Chest rubs	1.3
Packaged candy cov. choc.	1.1
Tampons	1.0
Eye care products	1.0
Contraceptives	0.9
Internal analgesics	0.9

Source: Arbitron/SAMI

Product categories with highest number of brands in drug stores

(All 54 SAMI markets combined, year ending 5/19/89; number of different brands in category)

Shampoo	277
Hair conditioning rinses	243
Hand & body creams/lotions	182
Chocolate candy bars	172
Non-chocolate candy bars	172
Cosmetic & medicated skin aids	163
Synthetic vitamins	161
Hair dressing needs	152
Cough remedies	149
First aid antiseptics	139

Source: Arbitron/SAMI

Product categories with highest number of items in drug stores

(All 54 SAMI markets combined, year ending 5/19/89; number of different items in category)

Natural vitamins, mineral, supplements	1,956
Shampoo	1,525
Synthetic vitamins	1,251
Hair conditioning rinses	1,134
Hand & body cream/lotions	999
Internal analgesics	949
Chocolate candy bars	928
Facial preparations	884
Hair dressing needs	853
Cold remedies	849

Source: Arbitron/SAMI

Product categories with highest annual sales per brand in drug stores

(All 54 SAMI markets combined, year ending 5/19/89; retail sales in millions of $)

Dry cell batteries	$22.9
Tampons	14.4
Disposable baby diapers	10.1
Internal analgesics	7.3
Eye care products	7.0
Measured diet meals	6.5
Sanitary napkins	6.5
Formula baby food	6.3
Home testing kits	5.9
Cold remedies	5.7

Source: Arbitron/SAMI

Sam's Wholesale Clubs lead Wal-Mart northward

BENTONVILLE, Ark. — In a move that could be a precursor to Wal-Mart expansion in the Northeast, the fast-growing discounter announced it will build at least 18 Sam's Wholesale Clubs in the new region.

They will open in New York, Pennsylvania, New Jersey, New Hampshire, Delaware and Maine by February 1991. These are all new markets for the retailer, a company spokesperson said.

Discount store industry observers expect that Wal-Mart stores will soon follow Sam's in its Northern push. That could have significant impact on drug stores, given Wal-Mart's aggressive H&BA merchandising and commitment to pharmacy growth.

While Wal-Mart stores are traditionally located in rural areas, Sam's Wholesale Clubs, which rely heavily on business members, are set in metro areas.

A lot of Sam's merchandise is in industry or case sizes and packs suitable for businesses. The warehouses are not unlike deep discount drug stores in that they emphasize limited assortments, a low margin structure, and high sales volume.

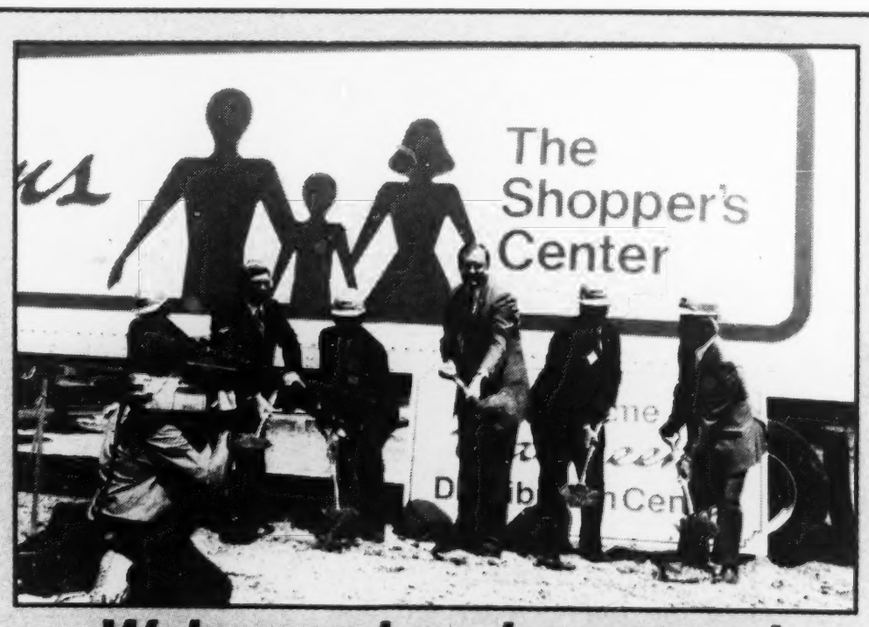
Besides a club's business members, consumers can become group members through organizations such as credit unions and government agencies. Group members typically pay 5 percent above wholesale for club merchandise which can include health and beauty aids, housewares, consumer electronics, office products, clothing, food and automotive items.

New York and Pennsylvania are receiving the most Sam's. Seven Sam's, averaging 106,000 square feet, will open in Pennsylvania in Allentown, Harrisburg, Lancaster, Johnson, Reading, York and Wilkes-Barre.

Six will open in New York in Albany, Rochester, Syracuse, Utica, Poughkeepsie, and Binghamton.

Also two warehouse clubs will open in New Jersey in Atlantic City and Delran Township, and one each in Portsmouth, N.H., Portland, Maine, and Wilmington, Del.

There are currently 105 Sam's stores in 21 Southern states.



Walgreen breaks ground for new $40 million DC

Walgreen Co. recently broke ground for a $40 million distribution center in Mount Vernon, Ill. On hand for the groundbreaking ceremony were: (from left to right) Thomas L. Wimberly, Illinois Department of Commerce and Community Affairs; Jerome Cosentino, Illinois state treasurer; Fred F. Canning, president of Walgreens; James R. Thompson, Illinois' governor; Charles R. Walgreen III, chairman of Walgreens; and Rolland W. Lewis, Mount Vernon's mayor.

BEAUTY TRENDS

Investing dollars in hosiery paying off for chains

Innovative packaging, programs, and promotions planned to boost sales

More than 85 percent of chain drug executives who responded to *Drug Store News'* General Merchandise Round-Up (see *DrSN* June 26), said the hosiery category is very important in their stores. And, more than 38 percent of them said they'll invest space, time and dollars in this category over the next two years.

Some drug chains have already made changes in their hosiery presentations to get category sales off and running. These changes include adding new programs to their hosiery mix, changing private label hosiery packaging, promoting the category continuously, and incorporating new hosiery fixtures.

This is no surprise, since the retailers polled in the survey said in-store presentations, and, to a lesser degree, heavy manufacturer advertising and sharp pricing, contributed most to hosiery category sales.

Women last year spent $1,758,337,000 on pantyhose in all retail outlets, and in drug stores they spent $131,016,000, according to MRCA Information Services, Stamford, Conn.

Women bought 905,297,000 pairs of pantyhose last year; of that, women drug store shoppers purchased 79,238,000 pairs.

Sales trends in the hosiery industry overall have shown peaks and valleys since 1983. Volume increased in 1987 due to heavy promotional activity, and a return to more normal promotional activity in 1988 brought volume back down.

Still, drug chains see hosiery as a core general merchandise category. Drug store retailers are realizing that department store brands and styles are continuously making an impact on the fashion sense of the drug store customer. By offering a broader hosiery assortment and promoting the category aggressively, drug chains told *Drug Store News* that hosiery sales can increase.

Pam Nyberg, Perry Drugs' H&BAs buyer, said the Michigan-based chain has seen increased sales in the hosiery catgeory, even though the hosiery industry posted flat sales overall for the past few years. "We recently remodeled our stores, and we also introduced the Sheer Indulgence line into our mix nine months ago," she said.

Nyberg said that even though she'll have to wait another six months for accurate Sheer Indulgence sales figures, she believes women even now are trying this brand with manufacturer coupons, which have helped move the product.

Justo Nunez, vp marketing for No Nonsense, said the in-

Continued on page 69

Drug chains are improving their in-store hosiery presentations to compete against combos such as Albertson's shown here. Buyers reported in *Drug Store News'* general merchandise round-up survey that well organized sections contribute most heavily to sales growth in this category.

By offering a broader hosiery assortment and promoting the category aggressively, drug chains told Drug Store News that hosiery sales can increase.

Chain hosiery buyers spin fashion story

Chain drug hosiery/soft goods buyers must constantly keep up with new fashion trends, and stay on top of the latest styles in this category.

Fred Topp, floor supervisor for clothing at Drug Fair NW in Montana, reported that L'eggs and Fruit of the Loom women's knee highs are selling well in the Kalispell store, the only store in the 6-store chain that sells apparel and soft goods.

"L'eggs always sends shippers that offer a new style or a new color scheme that appeals to our women shoppers," Topp said.

During the fall and winter months, Topp said this store expands its men's hosiery space, adding another 20 feet to its normal 15-foot men's hosiery section, to accommodate for wool and wool blend products. "We know men in this area—loggers and mill workers—look for these products at this time," he said.

On the West Coast, Liz Spera, H&BAs buyer for Bill's Drugs, said she's seen a lot of hosiery with pearl, rhinestone and sequin accents. Stockings with seams up the back are making a comeback among women going for a sophisticated look.

In and around the Virginia area, Mary St. Ledger, fashion/hair accessories buyer for Peoples, said that dot motifs and ultrasheers like L'eggs Silken Mist continue to be popular at her stores.

David Hauber, director of marketing services for L'eggs, said that even though the Silken Mist shades like dove grey and off black are called fashion colors, they are really becoming part of the basic color line.

Kathleen O'Sullivan, associate cosmetics buyer for Austin Drugs, noticed that dots and ivory hosiery sold strong this summer at the nine-store chain. She is eager to see what new trends will emerge at Austin with the addition of a department store line, Berkshire, and Sheer Indulgence, by Kayser-Roth, slated for September.

Justo Nunez, vp-marketing of No Nonsense, has noticed women are moving to a greater use of the higher priced Lycra pantyhose. "More working women are trading up to pantyhose with Lycra, which gives them a feeling of compression, which they prefer," he said. Women are also trading up in price, with Lycra hose often costing $1.00 to $1.50 more than those without Lycra.

In addition to the Sheer Indulgence line, this year No Nonsense is focusing on its Soft Sock line. Nunez said the new program was rolled out in the second half of 1988. The program used to be a seasonal offering, but now No Nonsense sells them year-round. A children's sock line has been added to the program, as has new 2- to 4-foot rack fixtures. "When they are merchandised next to hosiery, with similar signage as our hosiery line, sock sales can jump off hosiery," Nunez said.

Vereen ad tracking data:
Hosiery items' advertised prices

Brand	Sale price	Chain
Burlington Sheer Indulgence	30% off	Eckerd
Burlington Sheer Indulgence	25% off	Treasury
L'eggs Control Top	$1.58	Marc's
L'eggs Control Top Reg/Queen	2.00	Walgreens
L'eggs Control Top 2 pk	1.59	Medic Discount
L'eggs Sheer Energy 2 pk	4.99	Osco
L'eggs Sheer Energy	2.79	Eckerd
L'eggs Sheer Energy	2.49	Pay Less
L'eggs Regular	.99	Taylor
L'eggs Regular	1.89	Standard
L'eggs Regular & Queen	1.00	Walgreens
L'eggs Regular 2 pk	1.99	Sav-on
L'eggs Coloralls	2/3.00	Revco
L'eggs Coloralls	1.50	Snyder
No Nonsense assorted	1.29	Fantle's
No Nonsense assorted	1.59	Drug Emporium
No Nonsense assorted	2/3.00	Kerr
No Nonsense assorted	.99	SupeRx
No Nonsense Sheer & Silky	2.59	Revco
No Nonsense Summer Sense	1.49	Walgreens
No Nonsense assorted	50% off	Pay 'n Save

Source: Vereen & Associates, Inc. April 1989 ad activity

Drug stores' share of hosiery market grows fastest

	1988	1987
Discount/variety	32.3%	31.8%
Food	20.7	20.9
Drug	12.8	11.5
All other outlets	34.2	35.8

Source: L'eggs Blue Book of the Hosiery Industry 1983-1988

Growth Segments in Beverages: Bottled Waters & Fruit Flavored Juices

Elizabeth Parks

The beverage category is relatively flat right now, but buyers and beverage industry experts report that there is one very strong growth segment: bottled waters.

According to *Impact*, which tracks annual beverage sales and consumption trends, the bottled water category is growing dramatically from its relatively small base.

Last year, sales were up 12.5% to $900,000 while consumption was up 11% to 1.1 billion gallons.

Since gains in bottled water consumption are coming at the expense of tap water and other packaged beverages, some buyers think the nation's fear of possible health hazards from contaminated water or sugary drinks may be fueling this category's growth.

In some areas of the country, buyers report that regular tap water is "horrible to drink;" they say customers are turning to gallon jugs as more palatable alternatives.

Impact, in its findings, also confirms that the public is drinking less tap water these days. Consumption has dropped from 11.2 billion gallons in 1975 to just 10.2 billion gallons annually, it said.

The No. 1 brand in bottled waters remains Perrier with a 25% share, and buyers who stock Perrier report good movements; at Eckerd Drug, for example, Perrier is the best-selling sparkling water. Bottled water sales also vary dramatically by region, in Florida, for instance, the Zephyr Hills brand sells best while in Texas, the local preference is for Ozarka.

Tea and coffee sales may be down again, according to *Impact*, but herbal and gourmet teas are doing better than the overall category. Buyers report that two good-selling brands are Celestial Seasonings and Oriental Treasures.

In the coffee segment, instant coffee consumption is down about 10% from last year, but consumption of regular coffee is up 5%.

Decaffeinated coffee is also more popular than caffeinated coffee. Last year, caffeinated consumption was down 1.1%, but decaffeinated consumption, as measured in millions of gallons, was up 3.5%, according to *Impact*.

The fruit juice/fruit-flavored drink category is another strong growth segment within beverages. Sales in this segment were up 3.4% to $11.6 billion last year, says Impact. The fruit-flavored drink segment is outpacing the category as a whole, with consumption last year up 3.8%. Fruit juices, on the other hand, were down 0.6%.

The leaders in the fruit-flavored drink segment are Five Alive, Hi-C, Tang, Hawaiian Punch and Gatorade, a thirst quencher. Last year's new Sun Dance is also in this segment.

Impact says the isotonic category of fruit drinks, which is more than 93%-owned by Gatorade, is showing particularly strong growth. The category that includes Gatorade was up 7.6% last year.

For months now, *FM* has been reporting that Gatorade is the hottest-selling grocery items in nonfood stores, and at presstime, buyers were still saying the brand was hot and the trend to putting single serve sizes into in-store coolers is escalating.

The same thing is happening with single-serve sizes of juice, particularly the VeryFine brand.

From the merchandising changes that *FM* is seeing, it is apparent that certain beverages, particularly juices, Gatorade and bottled waters are slowly becoming everyday staples in drug and discount stores, just as candy and snacks did several years ago.

They may have started as seasonal in-and-out promotions, but now they are becoming indispensable parts of a nonfood store's traditional mix.

FM

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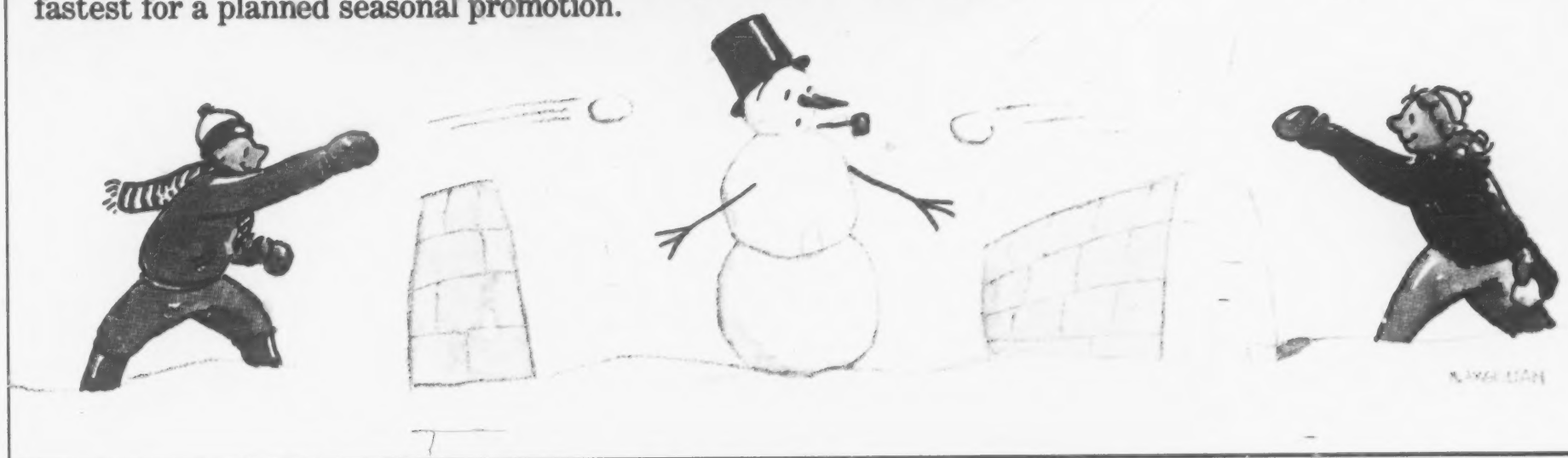
Best Selling Categories Of Winter

The chart below lists the best selling categories in food stores for the months of December, January and February.

The rankings are based on a special SAMI study tracking seasonal sales trends by category. Categories that make the list must have a base index of at least 110 for the three years ended in Dec., 1987 and January and February, 1988.

Knowing the index and the categories that rank the highest on it makes it easier for food, snack and household supply buyers in drug and mass merchandise stores to identify the categories that will turn the fastest for a planned seasonal promotion.



Foods and Groceries: Best Sellers Of Winter

(Average three year index ranking)

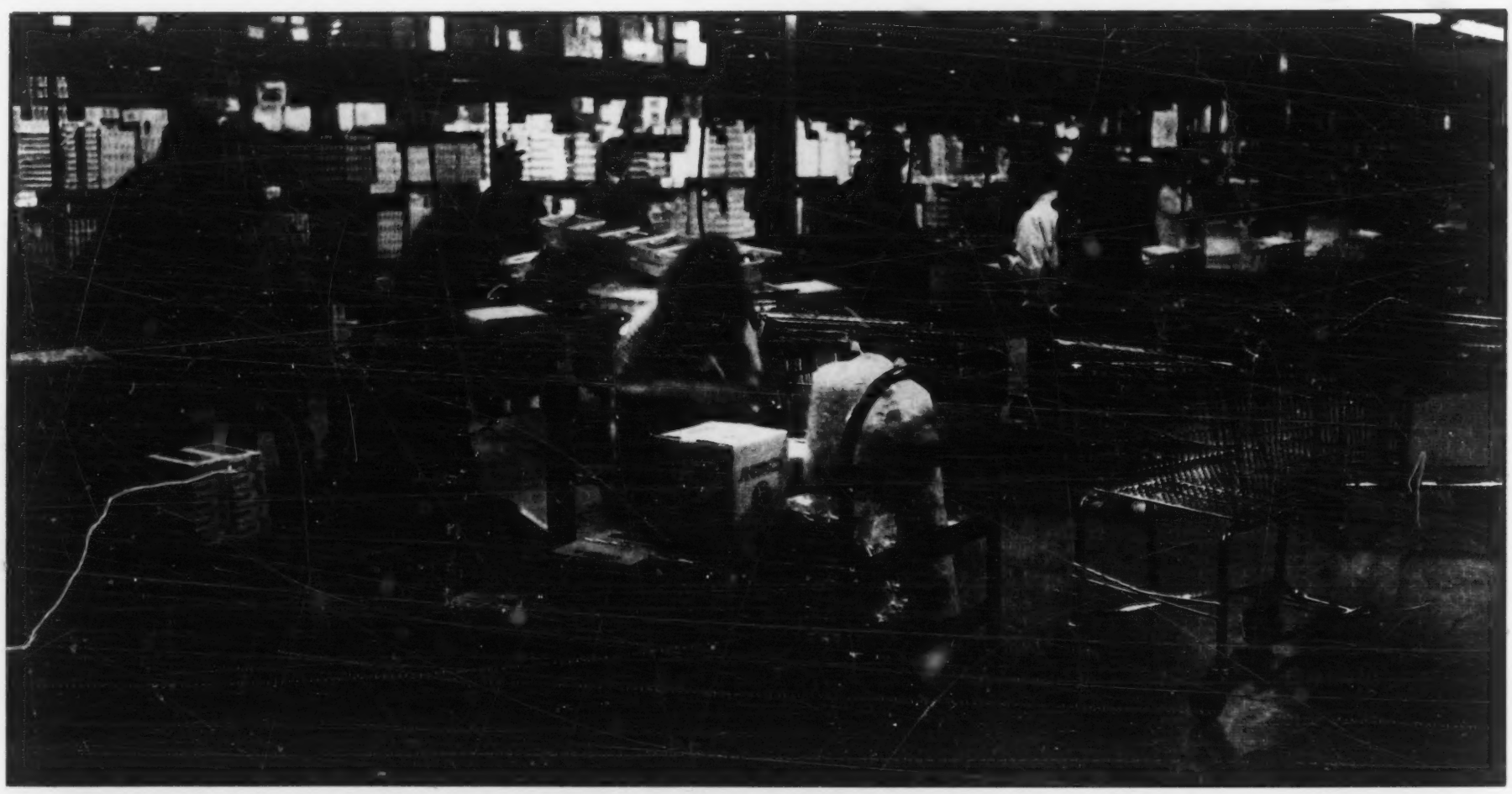
December		January		February	
Foods	Index Ranking	Foods	Index Ranking	Foods	Index Ranking
Canned cranberries	391	Dates	259	Packaged nonchocolates	215
Novelty candies	322	Maraschino cherries	252	Packaged jellies	207
Baking nuts	267	Cake decorations	239	Packaged solid chocolates	201
Dates	261	Coconut	210	Tartar sauce	171
Canned onions	248	Corn syrup	206	Packaged other chocolates	164
Packaged chocolate covered fruits	242	Molasses	202	Canned salmon	146
Canned potatoes	221	Baking extracts	199	Diet desserts	140
Corn syrup	218	Cream of tartar	191	Canned pie filling	137
Pie crust mix	215	Canned meats	191	Packaged novelty items	136
Brown sugar	205	Confectioner's sugar	181	Canned cherries	134
Stuffing mixes	202	Baking nuts	180	Diet canned fruits	131
Chocolate creams	201	Cake flour	180	Dry frosting mix single layer	130
Solid chocolate pieces	200	Brown sugar	173	Chocolate covered creams	130
Marashino cherries	198	Marshmallows	166	Oriental foods	129
Dry yeast	191	Ripe olives	162	Hot cereals	127
Canned pie filling	186	Spanish olives	161	Double layer frosting mix	126
Coconut	185	Chili sauce	160	Bouillon	126
Sterilized milk	183	Canned onions	158	Canned apricots	124
Baking chocolate	182	Cider	157	Canned spinach	123
Packaged hard candies	180	Canned dry beef	151	Canned mixed vegetables	123
Croutons	179	Canned sauerkraut	147	Dried prunes	122
Confectioner's sugar	176	Canned cherries	145	Dehydrated soups	122
Ripe olives	174	Cocktail mixes	146	Milk modifiers	121
Cider	167	Canned shrimp	142	Canned pears	121
Molasses	165	Dried apricots	141	Canned tomatoes	121
Spanish olives	162			Honey	120
				Canned soup	120
Nonfoods		**Nonfoods**		**Nonfoods**	
Heatable bags & wraps	292	Fireplace logs/bricks	325	Rock salt	169
Fireplace logs/bricks	251	Rock salt	297	Fireplace logs/bricks	114
Rock salt	176	Flash bulbs	211	Facial tissues	114
Disposable containers	170	Batteries	153	Bath additives	114
Coffee makers	153	Heatable bags/wraps	148	Light bulbs	112
Rodenticides	144	Disposable containers	143	Shoe polish	110
Flash bulbs	135	Waxed paper	143		
Batteries	132	Coffee makers	129		
Oven cleaners	126	Plastic flatware	119		
Aluminum foil	126	Poly wrap	113		

Source: SAMI Seasonality Study

F.M. SPECIAL REPORT

Membership Club 1989 Sales May Soar 29% to $18 billion

Growth is coming from both new stores and sales increases in existing stores. Top four companies now generate 80% of all sales.



Shoppers in The Wholesale Club often buy pallets of groceries at any given time. Often they resell the product.

The top ten chains in the membership warehouse club industry altogether generated close to $13.7 billion in sales last year, the equivalent of about 96% of total membership club sales. Sales this year are expected to increase another 29% to $18 billion.

In 1988, the trend to consolidation within this industry accelerated, and the year ended with the top four companies controlling about 80% of all sales.

Most of the new stores opened in 1988 were owned by the top four chains. Together, these giants accounted for 81% of all new store openings, according to *FM's* sister publication, *Discount Store News*.

In 1989, *DSN* is estimating that at least 70 more warehouse clubs will open and the top four will be responsible for at least 50 of those stores, or about 71% of all new store openings.

Membership Warehouse Clubs: Sales and Unit Growth

Year	Sales (billions)	Units
1984	$ 2.4	79
1985	4.5	137
1986	8.2	228
1987	10.7	325
1988	14.2	352
1989	18.0	420

Source: Discount Store News

Wholesale or membership warehouse club stores are extremely expensive to open, and must generate millions of dollars in sales before they can break even.

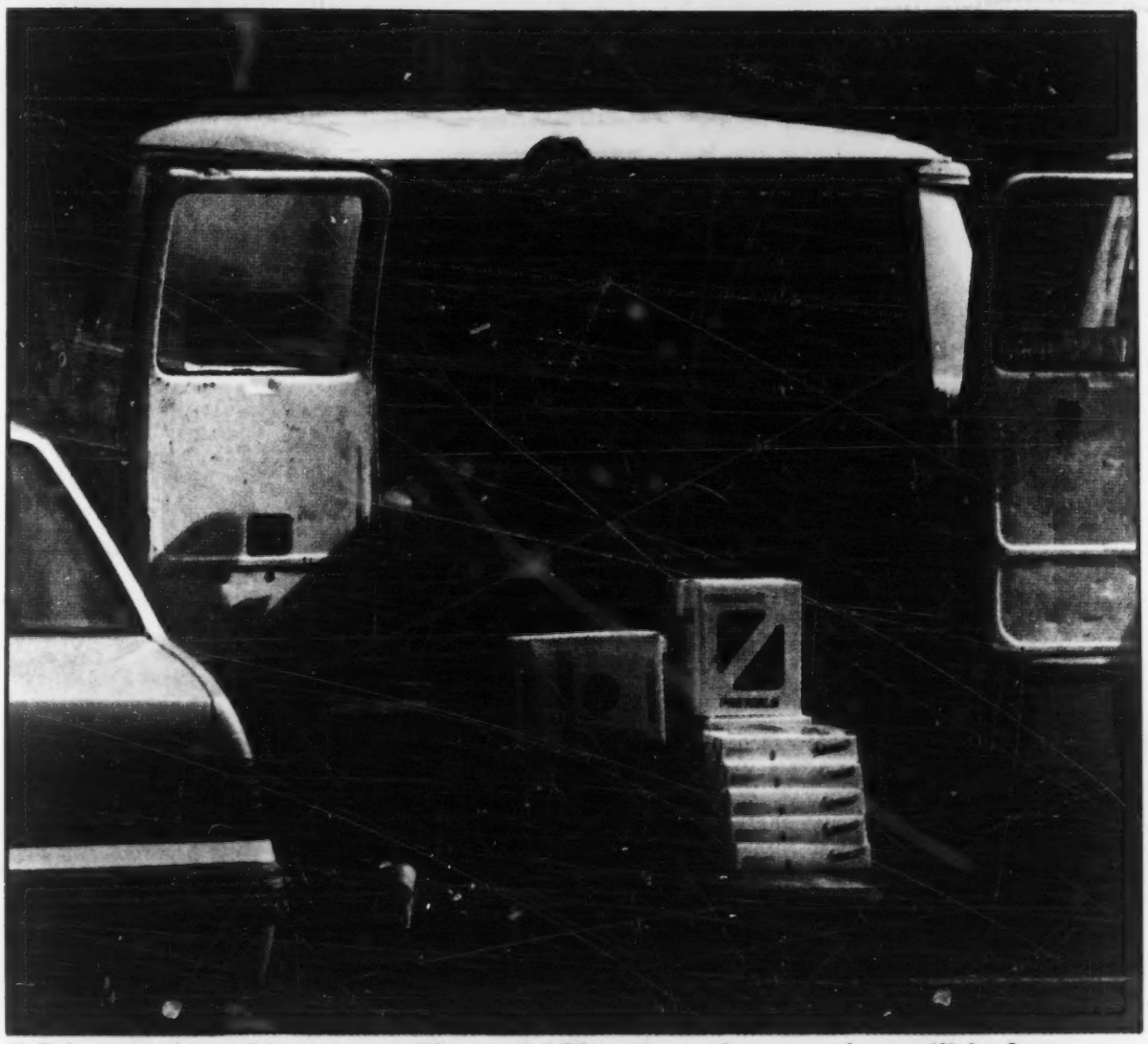
Consequently, the older chains like Price Club, which pioneered the industry back in the early 70's, are in the best position to expand, especially since they have the sales and stores in place to affect additional economies of scale with each new opening.

Sam's, the industry's second largest chain in terms of dollar volume, also has the considerable resources of parent Wal-Mart behind it, and wih 105 stores in place at the end of 1988, Wal-Mart has proven itself the most aggressive as well as the most successful at opening new stores. Management says they will open an additional 22 stores by the end of this year.

The trend is to stay efficient

In 1988, most of the operational changes in this industry were minimal. Company executives continue to fine tune their mix to weed out slow turners, and to expand the assortment of basic merchandise that would appeal to the broadest possible base of consumers.

Office supply warehouse stores,



With margins of between 7% and 10%, groceries turn incredibly fast.

Who's Who In Membership Warehouse Clubs
(Top 10 chains by dollar volume: millions)

Chain/Company HQ	1988 sales	% chng	1988 units	% chng
1. Price Club, San Diego	$4,053	25.2%	41	11%
2. Sam's Wholesale Club, Bentonville, Ark.	3.900E	44	105	25
3. Costco, Seattle, Wash.	1,989	45	50	16
4. Pace, Aurora, Ca.	1,285E	37	39	22
5. BJ's Wholesale Club, Natick, Mass.	800E	38	22	16
6. Price Savers, Salt Lake City, Utah	550E	83	13	13
7. The Wholesale Club, Indianapolis, Ind.	402	48	18	20
8. Makro, Cincinnati, Oh.	375E	25	6	50
9. Warehouse Club, Niles, Ill.	249.1	9	12	0
10. Buyer's Club, Englewood, Colo.	100E	0	4	0

Source: Discount Store News

however, did emerge as a major sub segment of this industry, and some sources say that in time they could start to cannibalize membership warehouse club sales.

However, office supplies only account for between 5% and 7% of all warehouse club store sales, according to *DSN*. Many executives say they can maintain this mix because they can offer customers more convenience, broader assortments and more accessible stores. They also feel that they can remain highly price-competitive.

Once again this year, the profile of a typical membership warehouse club store remains unchanged. Basically the mix in these stores includes a wide variety of edible and general merchandise products, ranging from select assortments of frozen food and packaged groceries to clothing, electronic goods, cleaning supplies, automotives, and more.

The customer base is still primarily small business, professional groups, churches and non-profit organizations, plus off-the-street customers who can qualify for membership.

Some units like a Price Club can do close to a billion a year in sales while others average $25 to $30 million a year. Mark-ups are also low enough to keep margins under 10% overall and the average inventory per store seldom exceeds 4,000 sku's.

What's ahead for 1989 and beyond

The outlook for the industry is still bright. Most security analysts who follow this fast growing industry expect sales and store increases to continue to soar.

Expansion is usually a matter of clustering stores in carefully selected metropolitan areas.

With the possible exception of Sam's, and even this is highly debatable, most companies in this industry regard long term success as a function of store level sales and market dominance rather than geographic expansion for the mere sake of geographic expansion.

Groceries: key product category

Groceries play a key role in all membership warehouse club sales. In these stores, they are not a mere traffic builder or a simple convenience commodity item.

They are integral parts of the merchandise mix, selling strongly to small restaurant operators, Mom and Pop grocery store operators, offices and clinics as well as to the general public.

They are usually merchandised close to the front of the store and off to the side, sometimes accounting for 30% and 50% of total floor space.

Generally, they are purchased on deal directly from the manufacturer. To be merchandised, they are often shrink-wrapped and/or stacked out on pallets. Most customers buy either in case or multiple-quantities.

In 1989, *FM* is estimating that groceries will increase another 20% to about $8.6 billion in this trade class. At that point, they will account for about 51% of all membership warehouse club sales.

Hosiery

BEAUTY TRENDS

Chains investing dollars, time, and space in hosiery market

Continued from page 31

stant redeemable $1.00 coupons placed on packages of Sheer Indulgence proved to be successful. "Our repurchase numbers increased since this promotion went into effect," he said.

Perry's Nyberg is confident that "once women try Sheer Indulgence, they buy them," even though the line carries a slightly higher ticket.

Peoples will roll out two new hosiery programs this fall, said Mary St. Ledger, fashion/hair accessories buyer.

St. Ledger said the Virginia-based chain decided to redo its private label hosiery packaging after customers complained they couldn't see the goods in the pouch package it formerly used. "Now, People's hosiery is packaged in a half-sized board with two die-cuts so women can see the hosiery colors," St. Ledger said.

Peoples is also introducing a private label fashion line called Rialto, which proved successful at Shoppers Drug Mart in Canada.

The Rialto line, a four-foot program, includes fashionable ultrasheers and opaques.

With the addition of these two lines, Peoples decided to delete the Underalls line from its 16- to 20-foot hosiery section.

At the nine-store Austin drug chain, with stores in affluent parts of Long Island, N.Y., buyer Kathleen O'Sullivan said it will be adding the Berkshire line in September. "This department store line will offer better prints and more fashionable shades," she said, and is sure to appeal to Austin's upscale female shoppers. The line will carry price points as high as $8.50.

C'Sullivan said Austin will also start to merchandise Sheer Indulgence this fall, because "it's a distinct line that our competitors are offering." Austin this year also decided to utilize the Hosiery Center, a fixturing concept developed by L'eggs. O'Sullivan said "it will make the whole hosiery department look more uniform." Austin currently merchandises hosiery adjacent to the cosmetics department. The Hosiery Center will also be installed in this area because "we feel women automatically go to cosmetics when they are looking for hosiery," O'Sullivan said.

Even though drug chains are broadening their assortment of pantyhose offerings, brands like No Nonsense and L'eggs continue to increase sales when they are effectively promoted, buyers reported *(See Vereen chart)*.

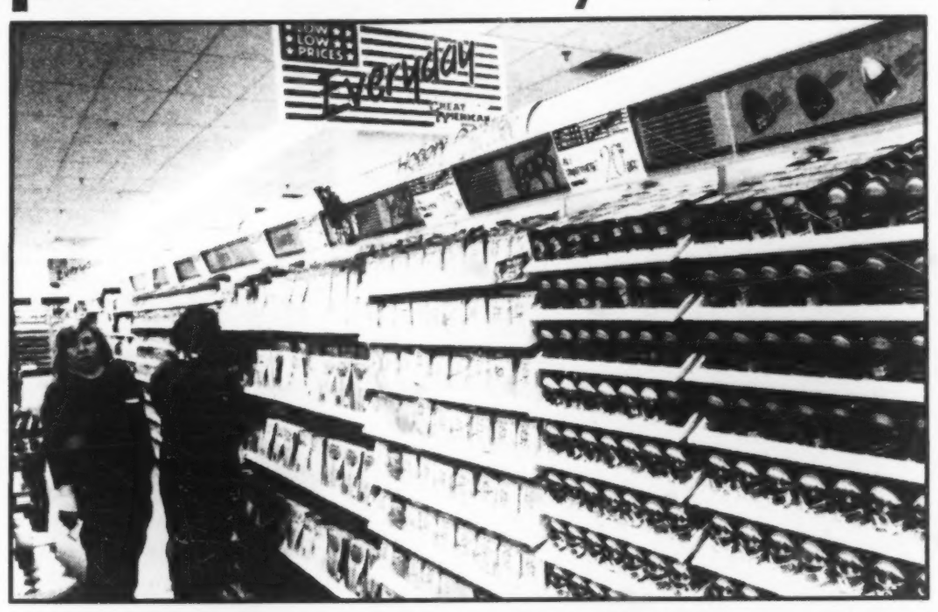
At Bill's Drugs, the 24-store chain based in Benecia, Calif., Liz Spera, H&BAs buyer, said hosiery sales have increased since last year. She attributes this to aggressive combined promoting of Bill's private label line (introduced in June 1988) and L'eggs.

"We'll advertise a L'eggs product and a private label hosiery product every week in our ads," she said, adding that the chain constantly promotes private label with sales of "buy two private label pairs and get a third free" or banding a free pair of Bill's knee highs to Bill's control top style.

Bill's often merchandises on-ad hosiery items on endcaps or floor displays adjacent to its 12- to 16-foot hosiery section.

Spera regularly visits the stores and asks women about their hosiery shopping habits. Most purchases are planned, she said, but if women buy advertised hosiery merchandised on floor displays, they'll be drawn into the aisle to pick up additional pairs, such as the private label hosiery that offers free knee highs.

Austin promotes hosiery in every other sales circular, about 12 times a year. "Two-for-one deals, like running two pairs of L'eggs for $1.99, increases sales, as does advertising special floor displays," O'Sullivan said.



Deep discounters, such as Great American, display hosiery at sharp prices to denote value to core female shoppers.

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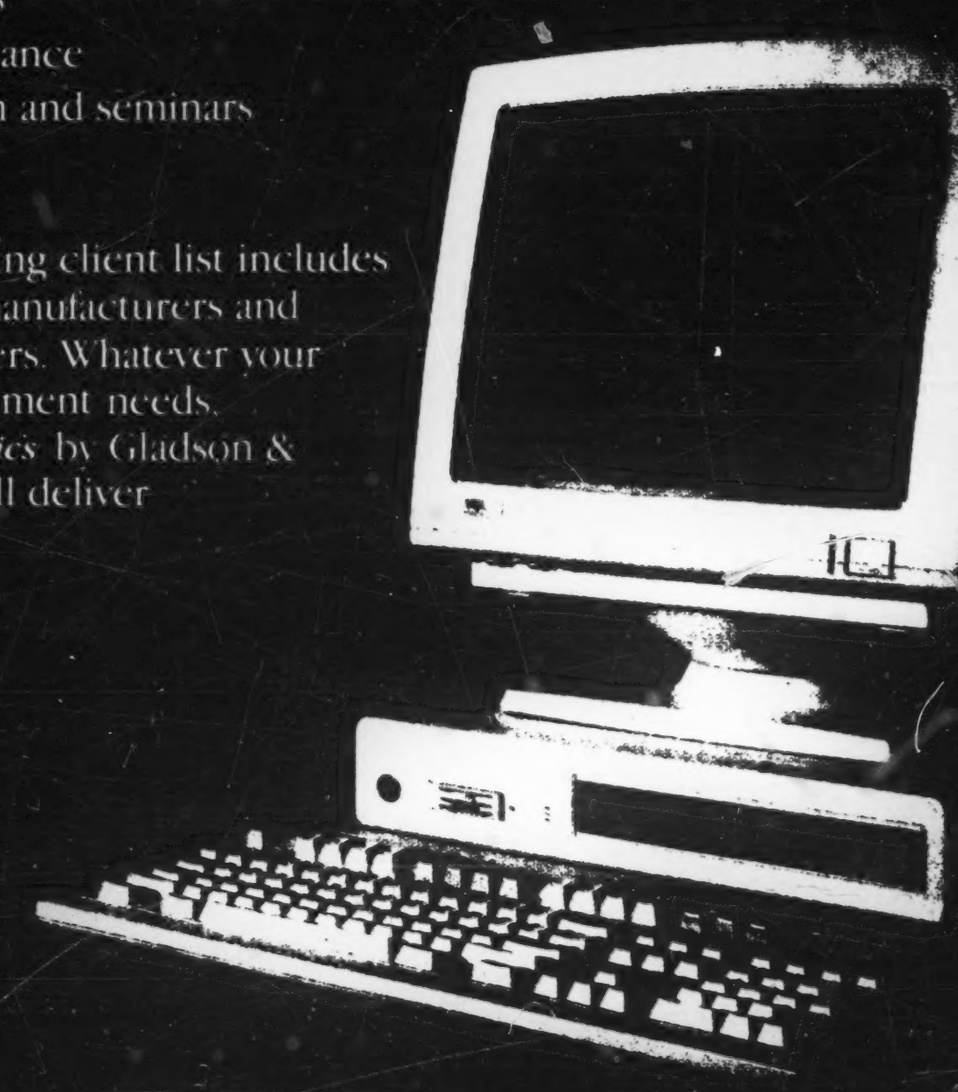

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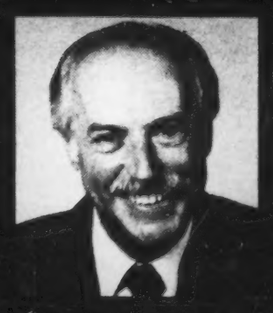

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Buyers sweeten candy sales with more space, variety

1988 candy market share by retail outlet

Supermarkets	34.0%
Drug stores	15.5
Discount stores	13.0
Convenience stores	10.5
Mom and pop outlets	9.5
Vending machines	6.0
Better department stores	3.3
Warehouse clubs	2.2
Misc.	6.3

Source: The Confectioner Magazine, Orlando, Fla.

Buyers who crave the high-impulse, fast-turn performance of candy are adding category space, advertising more confectionery items every week, and utilizing new presentations for candy and gum.

They recognize candy's high consumability, traffic building potential, and broad consumer appeal. And, they are carrying out plans to promote candy more aggressively.

Indeed, a recent Lebhar-Friedman survey showed that 15 percent of chain drug buyers plan to advertise more candy in 1989 than last year.

Overall plans at Lawton's Drug Stores in Nova Scotia have category merchandiser Brian Hayes anticipating an increase in candy sales after adding 15 percent more space to its candy section, which now takes up 30 to 40 feet at the 75-store chain.

Hayes said the expansion, scheduled to be introduced to stores by the fall season, will add more variety to the category. Quick Chek Food and Pharmacy, a 93-store convenience and pharmacy chain based in New Jersey,is also expanding its candy section, by using the M&M/Mars Spaceman computer software planogram system. "The display decreases our number of SKUs, but allows additional facings of top movers," said buyer-merchandiser Laurie Flood.

She said the new display will make the category look more appealing. "Sales for candy haven't been growing at Quick Chek for the past few years, but with the new planogram, we expect a minimum 5 percent increase in our candy sales next year," Flood said.

Right now, Quick Chek devotes 12 to 15 feet to count candy, and another 15 to 19 feet to high-end boxed candy and bagged items. The chain sells Whitman's boxed candy and will soon sell Russell Stover, to greater maximize candy's cross-merchandising and gift-giving possibilities.

Ad strategy change

Quick Chek changed its ad strategy last month, and now is advertising three to five candy items each month in its circulars. Previously, the chain advertised candy every quarter in its monthly ads. Most recently, for a Mother's Day promotion, the chain gave away a free Mother's Day card with each box of a Whitman's Sampler sold.

Snyder's Drug Stores in Minnetonka, Minn., reports a slight increase in candy sales over last year's figures. Buyer Rick Burns said they've changed their advertising strategy slightly to emphasize candy more. "We advertise hotter prices more often in our weekly ads," he said, "and we run five or six items in ads a week." Snyder's previously ran three or four candies a week.

Burns said the king-size category of count bars is growing slightly at Snyder's, but this category is not cannibalizing the standard-size bars.

Whitney Hill, trade relations director for M&M/Mars, said the king-size bar category is increasing, up 11 percent over last year. Flood at Quick Chek noticed in some cases, king-size bars are selling better than regular bars, because the price difference between the larger bars and the standard bars has narrowed.

New merchandising

In Michigan, Perry Drugs has changed to basket configurations in the candy department, from the traditional shelf merchandising program. Buyer Larry Thompson said 100 of Perry's 220 stores now utilize this display, which was unveiled about 18 months ago. Eventually all stores will merchandise candy this way.

Occasionally, Perry will run coupons for candy items, but most often the chain will run candy on sale prices at least every week in its weekly circulars. Thompson also said Perry adopted a new everyday multiple pricing strategy of two for 78 cents for all single count regular-sized bars. This price may be reduced even more when they run on ad, depending on the cost of the bars, Thompson said.

Buyers reported that M&M/Mars' Bounty Bar, a coconut bar encased in light or dark chocolate, is doing well. Hershey's Symphony bar, which is being test marketed now, is another new candy entry that buyers said is enjoying popularity. Carl Andrews, public information manager for Hershey Corp., said the bar comes in two flavors. "The milk chocolate bar has more milk added to it to give it a European taste," he said, "and the other is a milk chocolate bar with almonds and toffee chips."

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Greeting Cards TRENDS

Drug chains experiment to improve greeting card dept. layout, promos, assortment

Chain drug retailers, fully aware that greeting cards are a favored communication, experiment regularly to improve department layout, promotions, in-store location and assortments.

A steady flow of new products continues to drive 7-percent annual greeting card industry sales growth in the U.S. Many drug chains often better that mark, given their strong relations with such key vendors as Hallmark/Ambassador, American Greetings and Gibson Greetings. They work together to develop better fixturing and improve store-level services.

This activity pays off, as shown in *Drug Store News's* 1989 General Merchandise Survey. Retailers nationwide ranked greeting cards first in sales growth, margins, gross profit and vendor support, topping such categories as photofinishing and school supplies.

Merchants regard greeting cards as a core drug store business. One example is Perry Drug Stores, where the department is being given additional emphasis in its latest store prototype. As "an extremely powerful department" with "a lot of potential growth long-term," cards will get two to two-and-half times the linear exposure, says David Green, group vp-marketing and merchandising at Perry.

Perry has already expanded footage of its American Greeting's assortment to 140-160 feet in 50 stores. But it has bigger plans to compete against Detroit-area card shops, which have approximately 48 percent of market share. The chain plans to develop and move to the central front area of many stores a new card department, using American Greetings signage and lighting that is due from the vendor this summer. The fixtures are higher, up to 68 inches, which increases assortment within the same same footage, and sport new graphics.

The system also includes a section (with adjustable-width card pockets) to give alternative cards a family appearance and increase exposure.

By contrast, Peoples Drugs is moving its cards from the front door to the back of the store where it will be adjacent to cosmetics, gifts and school supplies, and serve as a lead-in to pharmacy. Footage will be reduced from 120 feet to 100 feet, Bernie Heyman, vp-purchasing at the chain, told *Drug Store News*.

Peoples, he explained, wants to reserve the front-of-store locale for more "core" drug and health-related categories such as dental and shampoo.

The new location will use Gibson's "power panels," which reduce the clutter of floorstands for seasonal promotions.

In South Florida, Corner Drug is awaiting American Greetings' new fixtures to support an aggressive card program, founder Stanley Cohen told *Drug Store News*. Corner's five stores are in predominantly retiree areas such as North Miami Beach, Coconut Creek, and Boca Raton.

Greeting cards, 'an extremely powerful department' with 'a lot of potential' will double their linear exposure at Perry.

Cohen discounts American Greeting cards 40 percent, and mentions this in the chain's weekly newspaper ads. Corner Drug also carries a discount line in two of its stores—Love Greeting Cards, which is 50-percent off. Two new stores scheduled to open in the next three months will carry American Greetings, Cohen said.

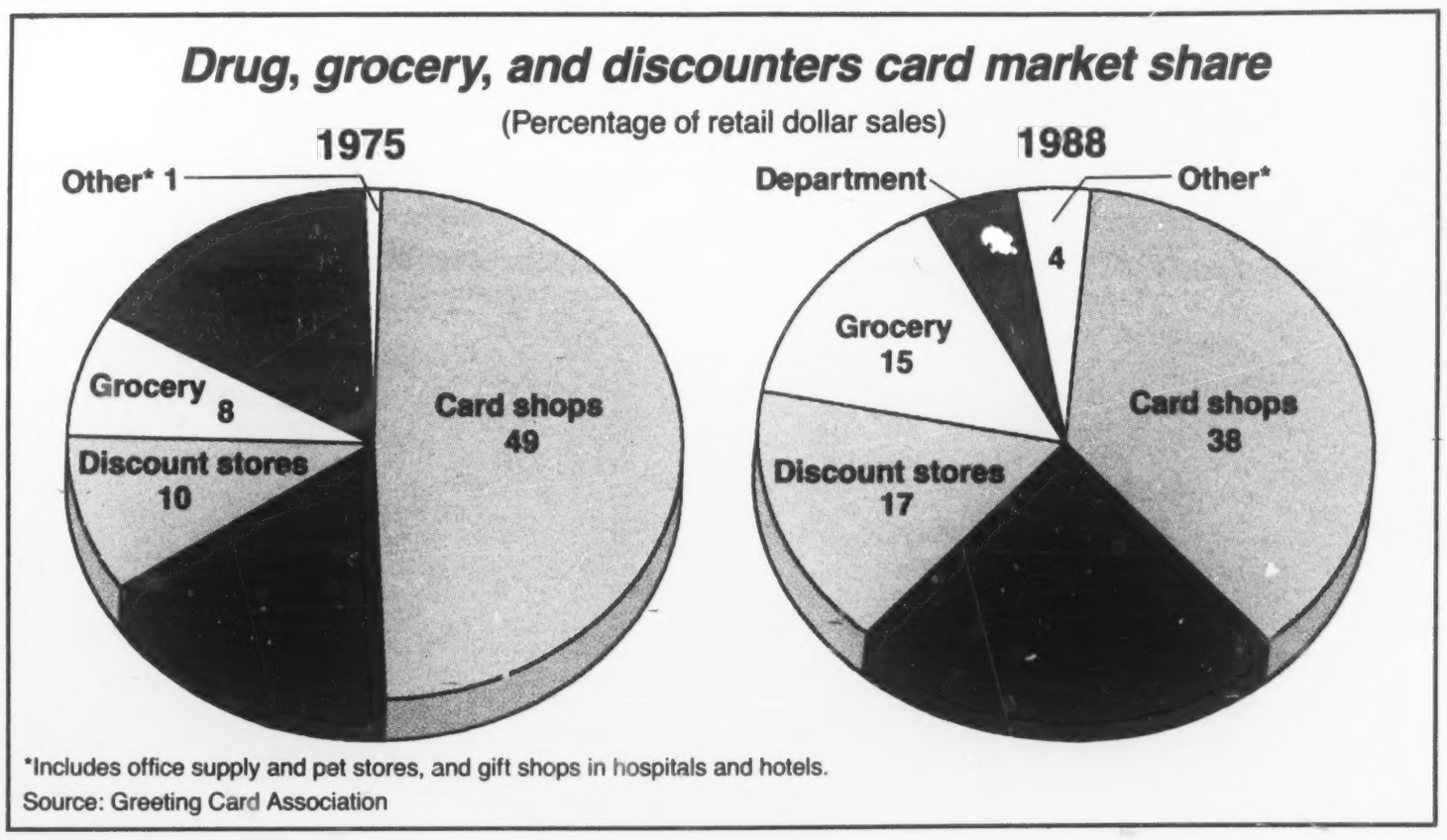
In Seattle, Bartell Drug is expanding cards and upgrading. "We're devoting more space, and exploring alternative card lines," said buyer John Weith.

Weith is adding Recycled Paper Products and Far Side alternative card lines to its core displays of Ambassador and American. The chain has also replaced Ambassador and American lines with Hallmark assortments in three stores, where they felt the local market would support the change.

Later this year, Ambassador customers will receive "Power Graphics," a new display concept for merchandising promotional cards at non-seasonal times. "Power Graphics" bunches cards in pockets, creating room on the fixture for background graphics related to the specific lines.

In Iowa, the 20-store Drug Town chain has moved cards recently from an alcove to a high-traffic aisle. Ambassador, American and Recycled Paper Products make up its assortment.

Drug Town promotes cards in about half of its 15 to 20 annual circulars, and about once a month in ROP, with occasional "buy-three-get-one-free" and free 25-cent stamp offers, said John Susich, assistant vp at Hy-Vee, the chain's owner.



Chain experimentation is high with greeting cards, a core department that generally gets upfront display to capture impulse sales.

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INSIDE PHARMACY
PHARMACIST EDITION

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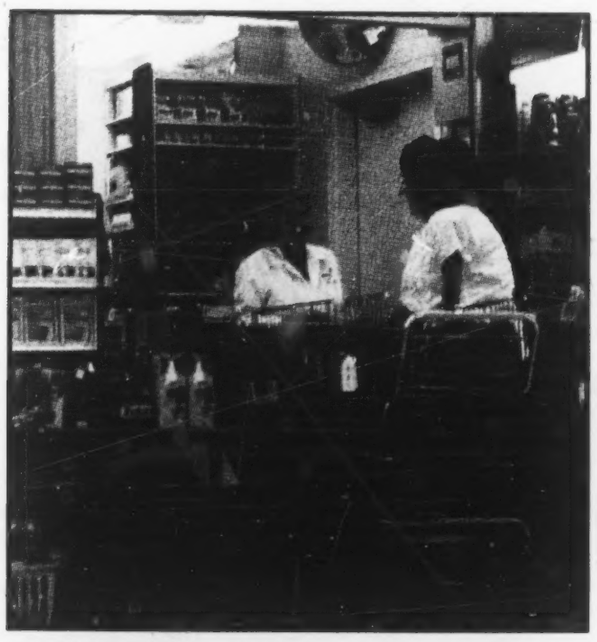
IP1

Discount stores, combos squeezing chain drug units

By James Frederick

In case anyone hasn't noticed, food/drug combo stores and discounters are becoming a big force in retail pharmacy. The biggest impact has come from aggressive discounters like Wal-Mart and from large-scale, one-stop combo stores, which have become the preferred expansion vehicle for many of the nation's leading food chains.



ABCO in Phoenix knows the value of Rx departments.

According to a recent study by Towne-Oller Associates, a research firm, the nation's 3,700 combos gobbled up 13 percent of the retail pharmacy market last year and averaged $550,000 in per-store prescription sales.

Clearly, supermarket chains have learned to sell prescription drugs and H&BAs. Towne-Oller

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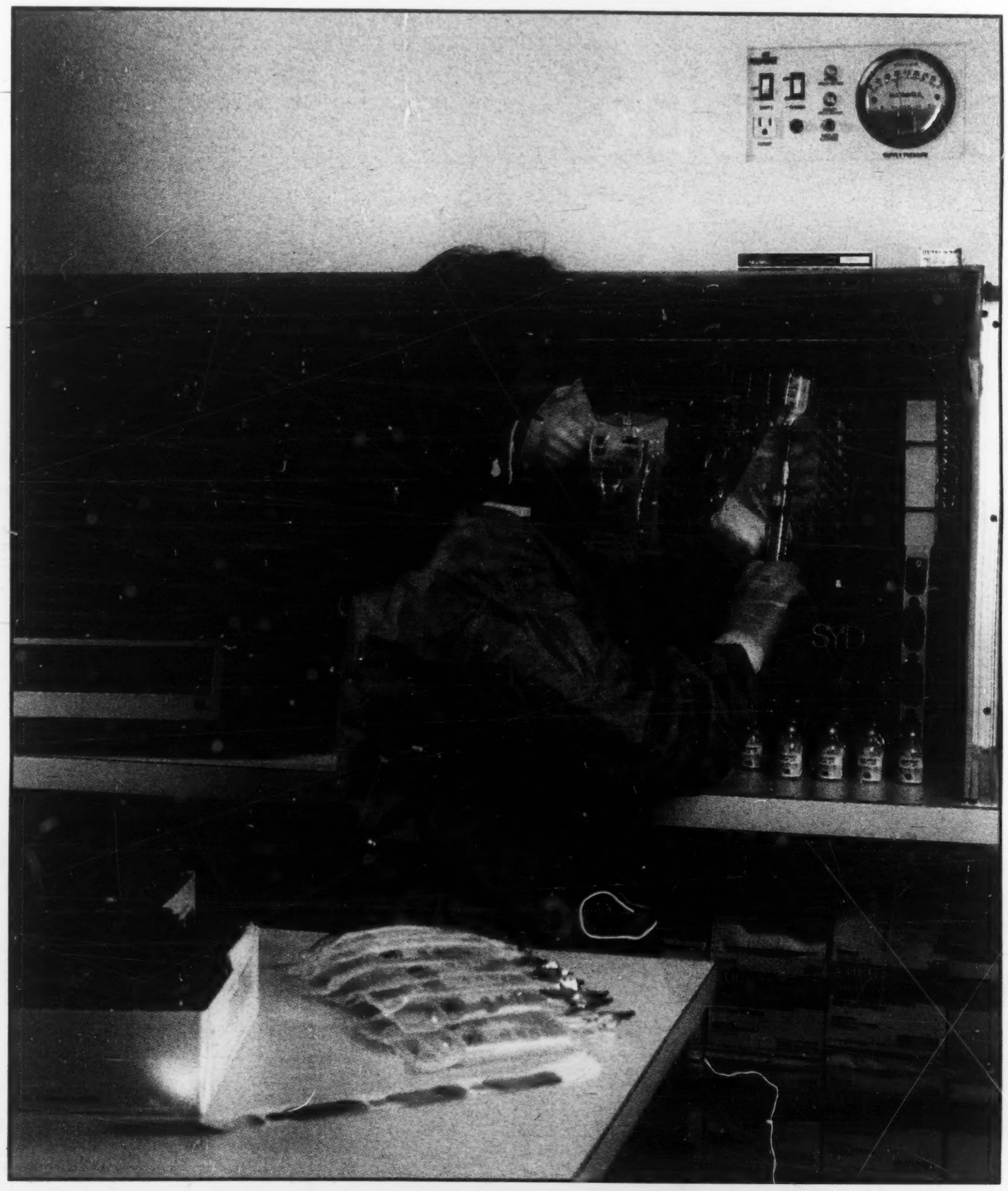

Pharmacy in forefront of Lyme Disease war

By Elizabeth Richardson

At first Debra McAteer thought she had the flu. So did her doctors. But after endless visits with no relief, Ms. McAteer (a fictitious name) began to doubt the doctors—and herself. What she had was very real to her, but seemed very unreal in terms of an actual diagnosis. Some people accused her of being a hypochondriac. The fact was, she had Lyme Disease.

Lyme Disease. The very words that were foreign to many just years ago, are now the reason for the debilitating health problems which have plagued many of its victims for years.

The disease, which is carried by an infected deer tick, is located on ev-

– *Continued on page IP11*

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DRUG STORE NEWS® INSIDE PHARMACY PHARMACIST EDITION

Discount stores, combos squeezing drug units

Continued from page IP1

rated combos the fastest-growing segment of the retail-pharmacy business, with dollar volume at the combo store Rx counter up 28 percent in 1988 and unit sales up 19 percent.

"The food industry has become very aggressive in promoting pharmacy," noted a Towne-Oller executive at the Food Marketing Institute's recent conference on supermarket pharmacy.

Indeed. Chains like Kroger, Albertson's, Skaggs-Alpha Beta, Raley's and Giant Food rarely open a store without a pharmacy these days, and most are large enough to accommodate full-blown drug store sections with a selection of H&BAs, cosmetics, greeting cards and OTCs that would rival those in most drug stores. The reason is simple enough: prescription drugs, H&BAs and general merchandise can generate a third or more of a supermarket's gross profit dollars with less than 10 percent of the sales total, and draw additional traffic as well.

'We no longer consider a store complete without a pharmacy,' added another supermarket executive.

"It is important that [our] company move in the direction of larger units to be able to present the store formats that the customer of today and tomorrow demands," noted Alan Stewart, American Stores president, recently. "[We] continue to replace smaller, outmoded stores with superstores and combination units with several service departments responding to the consumer's need for service, variety and convenience."

"We no longer consider a store complete without a pharmacy," added another supermarket executive.

Eugene Bannon, director of sales for McKesson Drug Co., summed up the situation at the Food Marketing Institute's annual convention in May. "Supermarkets until recent years were content to stay within the confines of their defined food and grocery categories, but today they are aggressively pursuing the prescription business in an effort to enhance their image as a one-stop shopping location," he said. "The vision of men like Joe Albertson and Sam Skaggs, who together pioneered the combo concept, is having a major impact on today's activity as drug chains and supermarkets target each other's product categories and customer bases."

For this reason, Bannon added, "Many food chain operators are no longer willing to share choice new locations" with drug stores.

The same is becoming increasingly true for discount stores, as well. K mart chairman Joe Antonini has reaffirmed that company's commitment to in-store pharmacies, and Wal-Mart's aggressive expansion—often with stores that include pharmacies—has had a big impact on the local drug store competition in many smaller cities and towns.

"I'm more concerned now with Wal-Mart than I am with the other drug chains," said one drug retailer in the South.

"Kroger and Cub Foods are having a big impact in this market," added an Atlanta-based wholesaler of H&BAs.

Just how much combos and discounters will alter pharmacy's retail landscape remains to be seen, but the blurring of trade class lines has already occurred. Meanwhile, both independent druggists and drug chains are finding that the best way to survive the new onslaught is to concentrate on their traditional strengths as convenient health- and beauty-care specialists.

Noting the increasing threat of combo stores, discount stores and warehouse clubs, Arbor Drugs chairman Eugene Applebaum recently stated, "In response to this competition, it was commonplace for many other chain drug store operators to experiment with nonrelated merchandise categories, thereby lowering their emphasis on the goods and services customers have come to expect in a conventional drug store. Arbor has never strayed off course or deviated from the scope of basic drug store assortments, recognizing that, in addition to pharmacy, convenience is a drug store's competitive edge."

Mass merchandisers with pharmacies

Company	Headquarters	Stores	No. of Rx depts.
K mart	Troy, Mich.	2,155	1,093
Wal-Mart	Bentonville, Ark.	1,307	833
Fred Meyer	Portland, Ore.	112	95
ShopKo	Green Bay, Wis.	87	84
Pamida	Omaha, Neb.	168	35
Harts	Columbus	31	28
Target	Minneapolis	379	21
Venture	St. Ann, Mo.	73	12
Fedco	Santa Fe Springs, Calif.	9	9

Source: *Drug Store News* Chain Drug Survey

The Top 50 supermarket chains with pharmacies

Chain	Headquarters	Total stores	Store with Rx departments
1. Kroger	Cincinnati	989	473
2. Safeway	Oakland, Calif.	1,131	300
3. Albertson's	Boise, Idaho	501	224[1]
4. Jewel Food Stores/Osco[2]	Melrose Park, Ill.	222	137
5. Supermarkets General	Woodbridge, N.J.	142	131
6. H.E. Butt	Corpus Christi, Texas	155	107
7. Giant Food	Landover, Md.	147	96
8. Smith's Management	Salt Lake City	93	88
9. Skaggs Alpha Beta[2]	Richardson, Texas	87	87
10. Wakefern/Shop Rite	Elizabeth, N.J.	174	84
11. Von's	El Monte, Calif.	342	82[3]
12. Lucky Stores	Dublin, Calif.	348	78
13. A&P	Montvale, N.J.	1,250	75[4]
14. King Soopers[5]	Denver, Colo.	66	66
15. Safeway Stores of Houston	Houston	101	66
16. Furr's	Lubbock, Texas	144	64
17. Raley's	Sacramento, Calif.	56	55
18. Buttrey Food-Drug[2]	Great Falls, Mont.	53	53
19. Kash 'n Karry	Tampa, Fla.	116	46
20. Giant Eagle	Pittsburgh	106	45
21. Tom Thumb/Page	Dallas	73	43
22. Grand Union	Elmwood Park, N.J.	304	37
23. Farm Fresh	Norfolk, Va.	59	36
24. Randall's	Houston	39	35
25. Schnuck's	St. Louis, Mo.	57	34
26. Dillon's[5]	Hutchinson, Kansas	61	33
27. Wegman's	Rochester, N.Y.	40	32
28. Stop & Shop	Quincy, Mass.	116	30
29. National Supermarkets/ Kare Pharmacy	St. Louis, Mo	58	30
30. Minyard Foods	Coppell, Texas	73	24[6]
31. Smitty's	Phoenix, Ariz.	24	24
32. Consumers Markets	Springfield, Mo.	37	23
33. Publix	Lakeland, Fla.	364	21
34. Hannaford Bros.	Scarborough, Me.	72	17
35. Super Valu	Minneapolis	71	17
36. Bruno's	Birmingham, Ala.	220	16
37. Dominick's Finer Foods	Northlake, Ill.	90	15
38. Erickson Food & Valu Drug	Hudson, Wis.	14	14
39. Dahl's Food Markets	Des Moines, Iowa	13	13
40. Carr's Quality Center	Anchorage, Alaska	13	13
41. Dillon's of Missouri	Springfield, Mo.	21	13
42. ABCO Markets	Phoenix, Ariz.	76	12
43. Big Bear	Columbus	67	12
44. Foodway	Fayette, Ala.	32	10
45. Alpha Beta Co.[2]	La Habra, Calif.	212	9
46. Carl's Food & Drug Centers	Cleveland, Ohio	9	9
47. Dierbergs Markets	Chesterfield, Mo.	12	7
48. Acme Markets[2]	Malvern, Pa.	295	6
49. Star Market[2]	Cambridge, Mass.	43	4
50. Randall Foods	Mitchell, S.D.	27	4

1. Includes 121 true Albertson's combos and superstores with pharmacies.
2. Division of American Stores.
3. Includes 68 Vons Food & Drug Centers.
4. Includes Farmer Jack's in Michigan.
5. Division of Kroger Co.
6. Includes 13 Sack 'n Save warehouse stores with pharmacies.

Source: *Drug Store News* research.

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FINANCIAL

Fantle's pays $1.8M interest bill within its 30-day grace period

LANDOVER, Md. — Fantle's Drug Stores recently made a $1.8 million interest payment on its 12.7 percent bonds due in 2001.

Sheldon W. Fantle, chairman and ceo, explained, "We took advantage of the grace period given to us and we paid the interest that was due at the end of last month."

The chain deferred this interest payment, originally due on June 1, for 30 days. "We will continue our restructuring program with longer range notes, deferred interest notes that give us the opportunity to build our business up," Fantle said.

Holman Shidler, the investment corporation that entered into a sale/leaseback agreement with Fantle's Drug Stores last month, is still completing its due diligence regarding the agreement to purchase 51 Fantle's store leases. "We'll know in several weeks what their agreement will be," he said. The transaction is expected to close Aug. 14.

The chain hopes to net as much as $37 million after it sells its 51 leases, and then leases them back from the purchaser. The proceeds of the deal are intended to repay debt, remodel stores, and fuel new service and charity programs initiated in April of this year.

American's Eurobond issue gets a 'BBB-' rating from Fitch

NEW YORK — Fitch Investors Service has assigned the "BBB-" rating to the 9.75 percent Eurobond issue due in 1994 of American Stores Co. The issue has a principal amount of $100 million. Fitch said, "While acquisition financing was a primary factor in 1988's 36 percent earnings decline, American Stores' strong position in most of its major markets bodes well for the future and minimizes the possibility of significant earnings swings. Benefits of operating synergies from the planned consolidation of Lucky [Stores] and the company's Alpha Beta Stores subsidiary should bolster the earnings base as well, once the California Attorney General's antitrust litigation is settled."

Bergen Brunswig sales, earnings up in third qtr.

ORANGE, Calif. — Bergen Brunswig posted increases in sales and earnings from continuing operations for the third quarter and nine months ended May 31.

Net sales and other revenues for the third quarter rose 10.6 percent, to $987 million, from $893 million reported for the comparable period last year. The drug and health care operation accounted for $858 million of net sales, while consumer electronics (Commtron Corp.) garnered $129 million.

Earnings from continuing operations for the third quarter jumped 43 percent, to $13.5 million, or 55 cents per share on a fully diluted basis, from $9.4 million, or 46 cents per share, for the similar quarter a year ago.

For the nine months, net sales and other revenues were $2.93 billion, versus $2.59 billion for the similar period a year earlier. Earnings from continuing operations were $36.9 million, or $1.65 per share, compared with $25.1 million, or $1.24 per share, in the prior-year period. Aggregate net earnings for the period last year, including discontinued operations and a gain on disposition, were $27 million.

"Bergen Brunswig Drug Co. continues to show strong sales and earnings growth," said Emil P. Martini Jr., chairman and ceo. "In addition to sales growth and operating expense control, earnings benefited from working capital commitment to inventory investments, which was a factor in recording an overall higher gross profit rate during the current year periods."

Cardinal converts almost all of its $40 million debentures to equity

DUBLIN, Ohio — Cardinal Distribution, which announced its intention of redeeming all its outstanding 8¼ percent convertible subordinated debentures due 2010, completed the transaction with the entire $40 million converted from long-term debt to equity.

Substantially all the holders of debentures requested conversion, for a total of approximately $38 million. The $1.151 million remaining was handled through Cardinal's standby purchase agreement with Drexel Burnham Lambert.

The redemption price was $1,057.75 plus accrued interest of $37.81 for each $1,000 principal amount of debentures, for a total of $1,095.56 payable for each $1,000 principal amount.

Cardinal also posted a 32 percent rise in net sales and a 71 percent gain in net earnings from continuing operations for the fourth quarter ended March 31 over the prior-year period.

For the year, net sales rose 33 percent and net earnings from continuing operations were up 78 percent.

Fourth-quarter net sales were $198.2 million, compared with $149.9 million for the like period last year. Net earnings from continuing operations rose to $3 million, from $1.8 million for the fourth quarter from a year earlier.

Name	Symbol	STOCK PRICE From 06/23/89 - 07/10/89 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct.	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	64.88	60.25	64.13	-1.00	-1.54	66.88	47.63	2.54	-1.54 q	-38.9	26.5	1.00	1.6
Arbor Drugs	ARBR	18.00	15.50	18.00	1.00	5.88	18.25	8.00	.70	-.03 n	-4.4	27.7	.16	.9
Big B	BIGB	13.63	13.13	13.63	.25	1.87	15.88	10.75	.91	-.22 q	-20.8	16.2	.16	1.2
Fay's Inc	FAY	13.25	11.88	12.13	.13	1.04	13.25	7.28	.66	.29 q	70.7	17.3	.18	1.5
Genovese Drug	GDX	11.63	10.63	10.75	-.63	-5.49	12.88	8.75	.83	.17 q	25.8	13.0	.24	2.2
Longs Drg Strs	LDG	42.25	40.25	42.00	.75	1.82	42.25	33.63	2.75	.35 q	14.2	14.9	.96	2.3
Medicare Glaser	MGCO	5.75	5.75	5.75	.00	.00	5.88	2.13	-.10	-.23 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	28.75	26.75	27.00	-1.38	-4.85	31.75	20.75	1.11	.30 s	31.6	21.6	.10	.4
Perry Drug	PDS	12.88	11.25	11.50	-.13	-1.08	13.50	5.25	-3.15	.20 s	NE	NE	.00	.0
Rite Aid Corp	RAD	37.50	34.88	37.13	-.38	-1.00	39.00	29.13	2.30	-.02 q	-.9	16.0	.82	2.2
Walgreen Co	WAG	45.25	41.50	44.63	.13	.28	45.25	27.13	2.10	.43 s	22.4	19.0	.68	1.5
Wholesaler's transactions														
Alco Health Svcs	AAHS	24.00	23.00	24.00	.75	3.23	30.25	22.75	1.55	-.11 q	-7.4	17.4	.06	.3
Bergen Bruns	BBCA	30.50	29.00	30.50	.50	1.67	30.63	18.75	1.78	.72 n	45.9	13.3	.32	1.0
Bindley Wstn	BIND	9.00	8.50	8.63	-.13	-1.43	9.88	6.63	.58	.22 q	68.8	16.0	.00	.0
Cardinal Distrb	CDIC	23.75	22.75	23.25	-.25	-1.06	24.25	15.69	1.58	.37 f	30.6	14.7	.08	.3
Durr Fillauer	DUFM	22.50	21.38	21.63	-.75	-3.35	23.13	13.25	.92	.09 q	9.7	21.2	.24	1.1
Ketchum	KCH	6.63	6.25	6.25	-.25	-3.85	10.38	4.75	-4.73	-1.44 q	NE	NE	.00	.0
McKesson Cp	MCK	35.38	33.13	34.38	-.63	-1.79	35.75	29.63	2.30	.07 f	3.1	14.9	1.44	4.2
Moore Med	MMD	12.88	12.13	12.63	-.13	-.98	15.63	9.00	-2.17	-4.00 q	-100.0	NE	.00	.0
Owens Minor	OMI	12.63	11.50	12.25	-.38	-2.97	15.88	11.38	1.00	-.07 q	-7.4	13.9	.26	2.1
Manufacturer's transactions														
Abbott Labs	ABT	60.00	57.63	59.38	1.38	2.37	61.13	43.50	3.33	.53 q	18.2	17.2	1.40	2.4
Am Home Prod	AHP	97.50	91.75	96.50	-.13	-.13	97.50	72.88	6.38	.66 q	11.2	14.7	3.90	4.0
Baxter Intl	BAX	21.88	20.50	21.25	-.50	-2.30	21.88	16.25	1.31	.15 q	12.6	15.9	.56	2.6
Block Drugs Co	BLOCA	35.25	34.50	34.75	.13	.36	36.00	28.00	2.55	.26 f	11.4	13.6	.64	1.8
Bolar Pharm	BLR	29.38	27.38	27.63	-1.50	-5.15	32.25	16.38	1.51	.45 q	41.3	17.9	.04	.1
Bristol-Myers	BMY	49.75	47.13	49.38	.13	.25	51.25	39.88	2.88	.38 q	14.7	16.6	2.00	4.1
Carter-Wallace	CAR	48.63	45.25	46.63	-1.13	-2.36	48.75	36.25	2.97	.47 f	18.8	15.7	.68	1.5
Forest Labs	FRX	32.00	30.50	31.00	-.50	-1.59	33.50	19.25	1.20	.24 f	25.0	25.8	.00	.0
ICN Pharm	ICN	6.50	6.13	6.25	-.13	-1.96	7.75	5.63	.23	1.54 s	NE	69.4	.00	.0
Lee Pharm	LPH	4.25	3.63	3.75	-.50	-11.76	5.75	3.63	-.23	.49 s	NE	NE	.00	.0
Leiner P Nutri	PLI	19.13	18.25	18.75	-.25	-1.32	20.88	9.13	1.12	.26 f	30.2	16.7	.00	.0
Lilly Eli Co	LLY	57.75	53.50	57.63	.13	.22	58.50	40.19	2.67	.53 q	22.8	20.2	1.35	2.3
Marion Labs	MKC	26.00	23.13	24.63	-1.13	-4.37	28.25	16.38	.96	.39 n	44.3	19.4	.36	1.5
Merck & Co	MRK	71.00	66.38	70.38	.50	.72	72.88	53.50	3.05	.80 q	33.1	21.9	1.64	2.3
Mylan Labs	MYL	10.63	9.88	10.13	-.38	-3.57	11.88	7.50	.50	-.20 f	-28.6	20.3	.10	1.0
Newport Pharm	NWPH	4.44	3.94	4.44	.44	10.94	6.56	1.75	-.45	-.42 q	NC	NE	.00	.0
Par Pharm	PRX	9.88	9.13	9.75	.25	2.63	15.25	7.88	.99	-.21 s	-18.9	10.8	.04	.4
Pfizer Inc	PFE	59.38	56.38	59.00	.00	.00	64.25	49.63	4.70	.56 q	13.1	12.2	2.20	3.7
Robins, AH	QRAH	30.50	29.00	30.00	-.50	-1.64	30.75	21.88	2.42	67.78 q	NE	11.9	.00	.0
Rorer Group	ROR	37.88	36.13	37.50	1.00	2.74	48.25	33.63	1.96	-.55 q	-21.6	18.8	.80	2.1
Scherer RP Cp	SCHC	15.50	14.88	15.38	-.38	-2.38	33.38	14.75	.76	-.28 f	-26.9	20.2	.40	2.6
Scher Plough	SGP	69.00	65.25	67.75	.25	.37	69.50	49.50	3.48	.77 q	26.4	18.4	1.80	2.7
Squibb Corp	SQB	80.25	74.75	79.25	-.50	-.63	83.50	60.00	4.30	.85 q	23.3	17.6	2.00	2.5
Syntex Corp	SYN	51.25	46.50	48.75	-2.13	-4.18	54.50	35.00	2.51	.37 n	15.4	17.5	1.50	3.1
Upjohn Co	UPJ	31.88	29.38	30.88	-.88	-2.76	34.50	27.00	1.90	.24 q	14.0	15.8	.88	2.9
Warner-Lambrt	WLA	97.75	87.50	95.50	4.50	4.95	97.75	64.50	5.00	.92 q	21.1	18.1	2.56	2.7
Zenith Labs	ZEN	1.75	1.13	1.25	-.50	-28.57	2.75	1.13	-.89	-.33 f	NE	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	49.50	46.50	48.63	-.13	-.26	49.50	30.00	2.44	.60 q	30.5	18.9	.80	1.6
K mart Cp	KM	37.88	35.75	37.75	1.50	4.14	40.38	31.25	4.00	.44 q	12.8	9.8	1.64	4.3
Melville Cp	MES	45.88	43.50	45.63	2.25	5.19	46.88	32.00	1.63	-1.12 q	-40.6	27.8	1.30	2.8
Penney, JC	JCP	57.88	54.88	57.25	-.63	-1.08	60.13	44.88	6.02	1.87 q	45.0	9.5	2.24	3.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

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Vol. 11/No. 15 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Aug. 14, 1989

Grass, Rite Aid land restraining order blocking indictment

By David Vaczek

CLEVELAND — A Cuyahoga County court judge has blocked the grand jury indictment of Martin Grass and Rite Aid Corp., pending her ruling on a Rite Aid motion to oust the prosecuting attorney.

In a highly unusual move, Judge Lillian Greene issued a temporary restraining order on the indictment, advising the court clerk to stop "further processing and/or service of the indictment . . .until further order of the court."

The temporary block was in response to an Aug. 1 motion by Rite Aid lawyers, the day an indictment of Grass and Rite Aid on alleged bribery charges was unsealed in court here. The chain's lawyers asked the judge to stop the indictment until the court rules on a June 6 Rite Aid motion that seeks to remove prosecutor William Caine from the case.

The June 6 motion charged that Caine prejudiced the case with comments he made to the news media after Grass' arrest April 27.

Grass had been set to be arraigned Aug. 15. That date will now be postponed, according to a source.

Bribery alleged

Grass and Rite Aid were indicted on charges that the Rite Aid president allegedly tried to bribe a former Lane Drug employee to resign from the Ohio State Pharmacy Board.

A Cuyahoga County grand jury handed up the indictments on June 14, about six weeks after Grass' arrest. But they were kept sealed and not opened until Aug. 1, anoth-

See **Grass** *page 35*

Revco looks beyond loss, on track to fiscal health

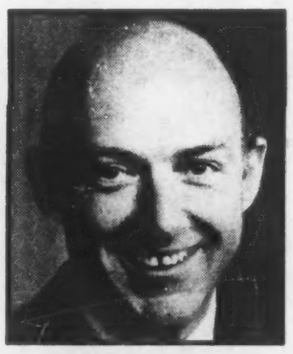
By James Frederick

TWINSBURG, Ohio — Revco D.S.'s steady return to health in recent months, under Chapter 11 protection, isn't readily visible in fiscal year results reported by the giant drug chain.

The 1,888-store operator sustained a $133.4 million net loss on $2.7 billion sales in its fiscal year ended June 3. The red ink wasn't unexpected by Revco's managers, however, and it obscures what has been a steadily improving business picture for the streamlined chain in the year's second half. In those months, the chain has regained balance lost when former management undertook a debt-laden leveraged buyout in late 1986, which led to bankruptcy in July 1988.

"This was, by far, the toughest year in Revco's history," said chairman and chief executive Boake Sells. "During this extremely difficult time, our people were put to the severest tests, and they passed with flying colors.

"Both our average sale per customer transaction and average weekly sales per store are higher today than one year ago," he continued. "Operationally, we are making great strides."



'Both our average sale per customer transaction and average weekly sales per store are higher today than one year ago.'
–Boake Sells, Revco chairman

Systems improved

Those strides are coming on several fronts. Merchandising and operating systems have been vastly improved. That includes the planned installation of scanners in close to 500 stores by mid-1990, an effort that is well underway. Stores chainwide have been cleaned up and are being renovated. Revco is also testing a prototype in Canton, Ohio, which will serve as the model for its

Continued on page 36

Industry elects '89 REX winners

NEW YORK — In an industrywide election that has become a prominent annual event, independent voters from 500 major trade suppliers have elected winners of the 1989 *Drug Store News* Retail Excellence (REX) Awards.

They are:

- Large Drug Chain of the Year: Drug Emporium;
- Small Drug Chain of the Year: Arbor Drugs;
- Drug Chain Marketer of the Year: John Jennings of Brooks Drug;
- Wholesaler of the Year: Harris Wholesale;
- Chain Design Innovator of the Year: Jack Eckerd Corp.

In its fifth year, the REX Awards were expanded to include the store format honor, won by Eckerd for its easy-to-shop Spartan layout. On chain of the year awards, drug retailers generating more than $300 million annual volume are eligible for the large chain honor.

The election of Drug Emporium as large chain of the year marks the first time a deep discounter has been voted the award. The chain of company-owned and franchised stores generates average annual sales per store of over $5 million, and since going public in 1988 has given the trade a closer view of its steady growth.

Winners will be lionized on a special four hour REX cruise Sept. 8 aboard the yacht *Duchess of New York*, underway at 6:30 p.m. Approximately 250 key executives from drug chains and major suppliers will attend the invitation-only cruise—giving high-level managers from

See **REX** *page 35*

LATE NEWS

- ORANGE, Calif. — Bergen Brunswig and its Good Neighbor Pharmacy retail group will launch its first national television advertising campaign in September, on Cable News Network and Headline News. The campaign aims to make 147 million household impressions per year.
- ALEXANDRIA, Va. — Peoples Drug Stores has its turnaround underway, according to figures released by parent Imasco. Operating earnings rose to $1.4 million in the second quarter ended June 30, compared with a loss of $7.9 million in the comparable year-earlier period. For the six months, operating earnings were $2.1 million, compared with an $8.9 million loss in 1988's first half.
- CHICAGO — Jay Spaulding has resigned as president of the National Housewares Manufacturers Association to seek "new business opportunities and interests," according to the trade group. A search committee is being formed to seek a new chief operating officer.

Electronic merchandising spotlight

Retailers assess array of in-store sales aids

A consumer walks into a drug store. She is greeted by a computer that tells her in which aisle she can find shampoo, aspirin, light bulbs and greeting cards—four items on her list.

She sees another computer. Intrigued, she starts it and as the computer "asks" questions about her daily skin regimen, she chooses multiple choice answers prompted by the computer. She winds up buying three skin care products the computer recommended.

Heading down one of the main aisles, she notices an electronic billboard overhead. On it, a lighted message advertises that Brand X is on sale today in aisle five; she perceives the price as a bargain and immediately goes to buy.

Across the aisle is an assortment of pantyhose. The consumer notices a strange egg-shaped shelf computer. She uses the computer to see which type of pantyhose is best suited for her, and is surprised that the computer advises her to wear light

Continued on page 15

NEWS IN BRIEF

AT's triamterene in recall

NEW YORK — American Therapeutics has announced a voluntary recall of three lots of triamterene/hydrochlorothiazide tablets, 75 mg/50 mg. Lot numbers and expiration dates involved are 811327-11/90, 811328-11/90, and 812382-12/90.

The company explained that recent stability studies have revealed that these three lots may dissolve at a rate below product specifications. The test showed that the other 60-plus lots produced are completely consistent with the specifications approved by the Food and Drug Administration. American Therapeutics has notified the FDA and is coordinating its activities with the agency.

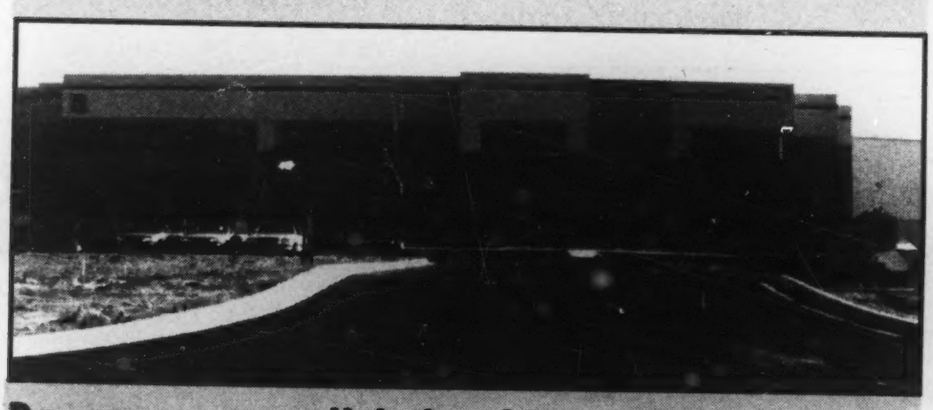
Plastic bag ban delayed six months

RIVERHEAD, N.Y. — The Suffolk County legislature here voted a six-month moratorium on a landmark law that would ban plastic grocery bags and foam containers. One of the first such efforts to control plastics deemed harmful to the environment, the law has been watched closely by drug stores who use plastic checkout bags (though the ban only applies to supermarkets).

Lawmakers in this Long Island area voted 12-6 to override a veto by the County Executive and passed the moratorium. Supporters said it will allow the plastics industry more time to make their case for recycling.

The debate on recycling has reached a fevered pitch in Long Island communities which are under a New York State mandate to eliminate garbage incinerators. Genovese Drug Stores joined in a successful drive to stop a proposed law that would have required bottle law-type deposits on batteries.

Suffolk's plastics law had been on hold anyway by the State Supreme Court which said an environmental impact study should have been made.



Bergen consolidates Mich. DCs

ORANGE, Calif. — Bergen Brunswig Drug Co. recently opened its new, 187,000-square-foot distribution center in Williamsburg, Mich., near Lansing. The DC consolidates its Kalamazoo, Grand Rapids and Fenton, Mich., divisions into one technologically advanced DC.

"We're right in the middle of the state, which gives us easy access to all areas," said Tom Holden, regional vp for the wholesaler's north central region. "We will be servicing our customers' needs out of a greater depth of inventory and with new, modern handling systems."

Fred Meyer, Thrifty get legs

PORTLAND, Ore. — Magnivision is sponsoring the Fred Meyer corporate running team in the 1989 Hood to Coast Relay. A three-day event on Aug. 25-27, the Hood to Coast begins at Mount Hood and finishes at Seaside on the Oregon coast. A total of 700 12-person teams will participate in the 185-mile relay.

Magnivision is also involved in Thrifty Drugs/Magnivision Baby Boomer West run set for Nov. 5, which sets running into a health fair atmosphere where companies can promote their products.

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Walgreens is RxPressing itself in a new, small way

ROLLING MEADOWS, Ill. — Quietly and without fanfare, Walgreens has begun rolling out tiny, 2,000-square-foot pharmacies in sites around Chicagoland that won't accommodate a full-sized store. The new concept is called Walgreens RxPress, and it features a full-service pharmacy fronted by about 650 top-selling non-prescription medications and home health care items.

MIDWEST REPORT
JAMES FREDERICK

Since the first one opened three months ago in Evanston, Walgreens has shoehorned RxPress units into two other sites around Chicagoland, including one in northwest Chicago itself on Irving Park Road, and a third which opened July 17 in suburban Rolling Meadows.

"We're opening these express pharmacies in areas where we don't have a full-size Walgreens," said RxPress manager and pharmacist Nancy Mazur.

"They go where we can't find a site for a full-sized store," added company spokesperson Laurie Meyer.

Typical is the original unit, which fits nicely into a block of retail outlets near downtown Evanston. A store employee told me walk-in and phone-in prescription business was picking up steadily as locals became aware of the store and switched to the more convenient location.

RxPress units are definitely geared toward the pharmacy patient. The Rx counter is low-slung to allow for easy pharmacist-to-patient counseling; the waiting area is fully carpeted with plenty of seats and reading matter; and patients can check their own blood pressure while waiting.

A company source said two more RxPress units could open in Chicagoland by the end of the year, and the concept "could work in other markets" where space is at a premium.

Wal-Mart gives vendors the reins in Wisconsin store JANESVILLE, Wisc. — Wal-Mart has given more than 100 of its major vendors unprecedented control of their own departments at an experimental store in this town of 50,000 in southern Wisconsin. The store "is an effort to involve the vendor in the setup and running of various store departments," a spokesperson said.

Wal-Mart is using the month-old store to test new merchandising concepts and new products, and to get additional feedback from its suppliers.

Suppliers like Rubbermaid, Mead, Ambassador and Fisher-Price are among those which have been given the green light to set up and run their own sections in Janesville. With the additional space and freedom given the vendors to highlight their own product groupings, it's no surprise the store has a unique look and feel as a collection of "stores within a store."

At 110,580 square feet, the new store is big enough for plenty of experimentation. Among its many departments is a full-sized pharmacy and drug store section.

Schnuck's leapfrogging across Missouri BRIDGETON, Mo. — Schnuck's, which has been a big force in food and drug retailing in St. Louis for two generations, is planning to stretch well beyond its traditional operating turf next year with a move to the other side of the state into the Kansas City-Topeka area.

"We'll begin with one large supercenter with a pharmacy in Kansas, probably in the late summer or fall of 1990," said Sue Gibson, Schnuck's spokesperson. "We might be looking at three locations there by 1991."

All but four of the chain's 60 stores are in its home St. Louis market, where the chain's 34 combo stores wage a fierce battle for market share with rival combo store chain National-Kare Pharmacies and drug chains like Walgreens and SupeRx-Medicare-Glaser.

Bellini, in exclusive interview, tells of Revco's operational gains

By James Frederick

TWINSBURG, Ohio — After presiding over Gray Drug Fair during its final, troubled days, then assuming command of store operations at Revco during the darkest hours of that company's financial crisis, Carl Bellini is certainly a man with an intimate knowledge of the dark side of chain drug retailing. Thus, it must have been a comfort to him that he departed the industry he loved on a high note, praised for helping to engineer the ongoing turnaround at Revco.

News Analysis

Bellini, 55, left Revco this summer to become president and chief operations officer of Erol's Inc., a video and electronics chain based in the Washington, D.C. area. He joined Revco in late 1987 as executive vp-stores.

In a letter to Revco employees, Bellini called his leave-taking "the most difficult decision of my lifetime."

At Revco, Bellini faced a daunting task. When he took over as operations chief under ceo Boake Sells, he was charged with implementing the turnaround in store operations and management systems that the chain so desperately needed, when it could least afford them.

Like Sells himself, Bellini found himself inheriting enormous problems. Mounting debt pressures stemming from Revco's LBO a year earlier were building rapidly, forcing the company into fiscal crisis. Suppliers, stung by late payments, were beginning to cut off shipments.

Stores suffered from years of neglect and were cluttered, dirty and out of date. Inventory and management information systems were overloaded.

Worst of all, Revco's pharmacy image had been eroded by years of flirtation with promotional merchandise.

A great deal has changed since then. In an interview with *Drug Store News* just prior to his departure from Revco, he reflected on the accomplishments and challenges during his short tenure as head of store operations.

Customer service has improved under a new theme, called "Every Customer, Every Time." Systems and training for store ordering have improved, and pricing is now being done at the warehouse level. Information systems have been improved to allow headquarters to track item movement in the stores on an exception basis every week.

Bellini has also had a hand in reducing the "paper morass" at Revco—an effort that was the subject of a special task force.

"Several store management reports were eliminated as unnecessary duplication. The drive toward PAL (Revco's new interactive pharmacy system) and a POS system has also helped with automated cash sales reports from the registers," Bellini said.

Revco also announced it will equip another 400 stores with the new POS scanning systems, currently in 80 stores. The chain began testing scanners last year, and has the systems in place in 80 stores.

Bellini has also reorganized Revco's operational structure to boost field-level decision-making. Revco now operates through four regions under regional vps. The chain has also gone from 61 to 83 district managers, and from five pharmacy supervisors to 25.

OPINION

Thriving in a boom-and-bust locale

IN THE MARKET
BRUCE BUCKLEY

Hi Folks:

Hope this somewhat extended postcard finds you well.

We're here in Maine on the island of Mt. Desert, and what do you think I've been doing? Visiting a drug store—what else? A busman's holiday, you're thinking? You're absolutely right.

The object of my interest is a LaVerdiere's Super Drug Store that opened this past spring in the town of Bar Harbor (or "Bah Hahba," as the natives would say). Bar Harbor is the main municipality of this island, whose principal tourist attraction is Acadia National Park.

LaVerdiere's opened this 6,000-square-foot store on one of the town's busiest streets in a former Red & White supermarket that was finally done in by an aggressive local independent called Don's Shop 'n Save. Don's is one of a string of Shop 'n Saves reaching from Maine to upstate New York that are corporately owned by Wellby Drug Store parent Hannaford Bros. To my knowledge, and that goes back quite a number of years, no chain drug store had ever ventured onto this island before. Why? Largely because of the problematical customer base of this summer resort. In the high season, the island's population swells with visitors attracted to the national park. When fall comes, the population contracts like a spent balloon.

Many of the downtown summer businesses—T-shirt emporiums, ice cream palors and crafts places—are shuttered. Stores like LaVerdiere's and Don's, which cater to year-round residents as well as summer folk, have to live or die on this annual boom-and-bust cycle. At least one local independent pharmacist tried to make a go of it in about 1,000 square feet of space, a couple of blocks from the heart of town, but when we returned this summer his store was gone. He needed more than a prescription-OTC business to make it through the long winter.

LaVerdiere's, of course, has had decades of experience in merchandising stores to permanent and tourist customer bases, and no doubt welcomed the chance to take over this ideally-sized retail location in one of Maine's busiest resort communities. On recent visits, the front and rear-end cash registers were ringing constantly. The pharmacy department had four or five people waiting in line for prescriptions; a mature store couldn't have been doing much better.

The main reason for this quick success: A prime location with exposure to hordes of summmer strollers. Duane Reade in Manhattan may get more sidewalk traffic, but not all day and evening too. Like Duane Reade, LaVerdiere's uses its store windows like advertising vehicles. T-shirts, camping stoves, postcards and barbecue supplies are permanently featured. The blue awning over the entrance reads, "LaVerdiere's. . . prescription specialists." No doubt in customers' minds what this store is: it's a drug store and a variety store.

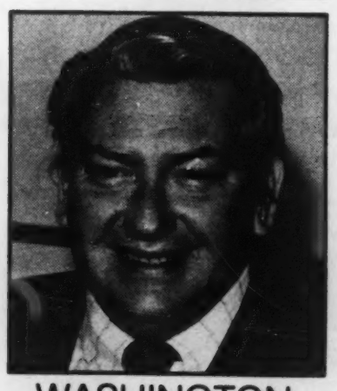
Inside, the merchandise rises on gondalas almost to the ceiling. There's nothing quite like a LaVerdiere's, with its profusion of hunting and fishing equipment, toys, housewares and hardware, and lawn and garden supplies—to say nothing of greeting cards, cosmetics, drugs and toiletries. It's got comfort zones for the whole family.

This winter will certainly blunt volume, but I have the feeling that Bar Harbor will eventually be one of LaVerdiere's number-one locations.

I must tell you that as I write this I'm sitting on the rocks of Otter Point. Lobster boats pull their traps less than 100 feet away, and cormorants dive endlesssly for eels. The blue water sparkles in the sun.

Wish you were here.

Multi-tier Rx pricing practices investigated



WASHINGTON PERSPECTIVE
KEN RANKIN

"Are we getting our money's worth" from prescription drugs? That's a question that comes up occasionally on Capitol Hill, but it's one that Congress seldom answers satisfactorily.

The issue of Rx drug prices came up again last month as Sen. David Pryor (D-Ark.), Senate Aging Committee chairman, made good on a promise to the National Association of Retail Druggists to investigate the allegedly "discriminatory" multi-tier pricing practices of many pharmaceutical manufacturers.

Independent pharmacists—and, for that matter, their chain counterparts—are rightfully concerned over the continuing insistence by some drug producers to charge retail drug stores far more than hospital pharmacies, HMOs, and other "classes of trade."

According to statistics released by Pryor's committee, hospitals are able to buy Tagamet for 19 percent less than the price typically paid by drug stores, Lopressor for 13 percent below the retail cost, and Transderm-Nitro at 99 percent less than the price paid by a community pharmacy.

Indeed, a report released by Senate staffers at the onset of the hearings concluded that "there are two domestic markets in the U.S. for most big-selling prescription drugs: a price-competitive market characterized by deep discounts off the published list price, and a high-priced market, where retail customers, Medicare and Medicaid purchase their prescription drugs."

Unfortunately, though, instead of following through with a tightly-focused examination of the causes of and cures for this type of price discrimination, the Senate Aging Committee broke off into a dozen different directions.

As a result, instead of having to respond to the tough questions regarding flagrant price discrimination against retail pharmacies, drug industry officials at the hearing were able to knock down straw men erected by Pryor and other members of the committee.

When Senate researchers noted that prescription drug prices had increased three times faster than the nation's overall inflation rate since 1981, Gerald Mossinghoff, president of the Pharmaceutical Manufacturers Association, was able to turn the tables on Congress. Correctly, the PMA chief argued that the rules of the marketplace had been changed by Federal and state legislation.

The period during which drug manufacturers must recover their "enormous" research and development costs has been "dramatically compressed" due to an "unprecedented surge of competition from generic products spurred by the Drug Price Competition and Patent Term Restoration Act of 1984," Mossinghoff replied. "The act, together with generic drug substitution laws in the states, results in a virtual collapse of the market for a brand-name drug soon after the patent expires."

When the the committee attacked drug manfacturers for replacing off-patent drugs with new, "me-too" versions at substantially higher prices, Mossinghoff simply pointed out that the availability of new drugs has saved the public billions of dollars annually by reducing the need for more costly forms of therapy.

Where the pharmaceutical industry is vulnerable, however, is in the area of pricing and marketing practices. As long as drug makers continue to force retail pharmacies, the general public and third-party insurance programs to subsidize the cost of "giveaway" drugs to hospitals and HMOs, the industry will remain open to legitimate attack.

It's too bad Sen. Pryor didn't focus on that issue instead of allowing the industry to wriggle off the hook.

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TRENDS

Retailers tap into electronic merchandising

Drug and food chains searching for the right system for store environment

Continued from page 1

support hose, a type she never considered. She decides to buy a pair. As she is leaving the aisle, she is aware of a radio program being played over the store's PA system, advertising the brand of pantyhose she just decided to buy.

In pharmacy, where she has to refill a prescription, she sees a kiosk. The woman touches the screen, and is stunned to see the many drug interactions listed between two drugs she is currently taking. She is prompted to ask the pharmacist about them, and he thoroughly explains the interactions to her.

She goes back to the computer and requests information about current medical news on diabetes, a disease that runs in her family. With a printout of the information in hand, she checks her list and finds those items in the store.

As she is waiting on line to check out, she sees another electronic billboard near the exit flashing the words "Thank you for shopping with us, and have a nice day." She doesn't even notice that the person in front of her is short of cash, and the manager is being paged for voiding those purchases.

As the cashier is ringing up her order, she wonders how she strayed from her shopping list. After she pays the cashier, the cashier hands her some vendor and store coupons generated from the cash register. "What are these?" she asks. The cashier replies, "They are for the next time you shop here."

Drug store of the future? Maybe, maybe not.

An easily influenced shopper? Perhaps.

The scenario is far from fiction, however, as an array of electronic merchandising strategies are being tested in drug and food stores across the nation.

Consumers and retailers alike are coming to terms with electronic merchandising. The age of technology is upon us, and it is up to drug store retailers to distinguish which systems, if any, are best suited for their stores' environments.

Electronic billboards have produced 30 percent-plus sales hikes for featured products in recent tests. See article, p. 22.

For consumers, these systems are a way to learn about the many new products introduced and help determine which would be good for them to use. For retailers, they help influence shoppers at the point of sale, where retail experts say more than two-thirds of purchasing decisions are made.

The retailer also benefits from the increased sales these systems can generate, through possible cross-merchandising opportunities, trial purchases, and trade-up opportunities to higher-quality, higher-ticket products.

Economical considerations

Drug store retailers must also weigh these positive aspects of electronic merchandising innovations against the economics of starting up and maintaining these systems. Expense is a hurdle, especially for smaller-volume drug stores, which would really have to justify the investment.

Nevertheless, many drug chains are branching out into the electronic sector to market products and information. The cosmetics and fashion departments in drug stores are leading examples.

In cosmetics, for instance, Noxell's Clarion computer has made strides at mass market, and the unit was upgraded this year to include information about its new UltraPure skin care line. L'eggs is rolling 2,000 "Pantyhose Advisors" into food and drug stores this month. The egg-shaped, shelf-edge computer helps women choose the correct hosiery style based on their lifestyle and preferences.

Photo departments at drug stores could change too, with the introduction of Kodak's Create-A-Print 35mm enlargement center. The interactive video system allows customers to create their own custom color enlargements from 35mm negatives in less than five minutes. Fuji Photo Film USA also has a video enlarger system, the 23VE, which can crop and manipulate the color balance of any negative.

Such systems could appeal to heavy users of film and photofinishing, who are increasingly important to drug stores.

Drug store core departments are not the only areas where electronic applications exist. Food stores such as A&P-owned Food Mart, Fred Meyer, H.E. Butt, and Vons have contracted to hang strategically placed electronic billboards above store gondolas.

Developed by In-Store Advertising, Inc., they show six-minute, lighted "looped" messages, including 20 15-second commercials of branded items and one minute of retailer messages.

Two-sided issue

Chain drug retailers told *Drug Store News* the issue of electronic merchandising has two sides. They recognize the dangers of creating a distance between customers and store-level workers, a relation based on people helping people. Yet many already feel that the systems they are test marketing in their stores are not usurping this vital communication between consumers and, say, cosmeticians or pharmacists, but actually enhancing it.

Even with this optimism, drug and food store executives remain cautious and face important decisions in how to apply electronic merchandising. Stuart Rosenthal, Vons' executive vp-marketing, summed up this slow approach, asking: "At what point do we reach saturation? We do not want to turn our stores into billboards. . . or have the advertising be overly intrusive. At what point does it become an annoyance?"

Interactive displays add zip to merchandising

Interactive electronic technology may be the way manufacturers can get back into retail executives' good graces regarding in-store displays.

Out of 129 supermarket executives polled by the Howard Marlboro group last year, over 60 percent of them reported they were only "marginally satisfied, if at all" with current manufacturer-provided displays.

They complained that current merchandising racks did little to help consumers shop, and the poor design of the racks in their stores led to space inefficiences. Some retailers were dissatisfied with display units that were not eye appealing and did not match their stores' established decor.

These supermarket executives reported strong support for interactive electronic technology as a way to sell and promote at the point of purchase. Forty-five percent of the respondents already had one or more interactive merchandising systems in their stores. Among that group, 92 percent said interactive merchandising will become more important in the future.

Reflecting the wide versatility of interactive units, 38 percent described individualized uses in both food and nonfood areas of supermarkets.

Especially important for drug stores, the cosmetics and H&BA departments were ranked equal to the grocery, deli, and meat departments as those best suited for interactive merchandising. The housewares department, especially light bulbs, was another nonfood area cited by supermarket retailers as a major use for interactive systems.

Will interactive merchandising become more important in the future?

	Total respondents (Percentage)	Breakdown by current usage (Percentage) Yes	No
More important	77	92	61
Less important	4	0	8
No change	7	8	8
Not sure/no answer	12	0	23

Source: The Howard Marlboro Group In-Store Survey of Supermarket Executives, June 1988

Which departments are especially suited for interactive merchandising?

Departments	Total Respondents (Percentage)	Breakdown by current usage (Percentage) Yes	No
Produce	23	15	31
Cosmetics/H&BA	15	15	15
Deli	15	15	15
Grocery	15	23	8
Meat	15	15	15
Cheese	12	15	8
Housewares	8	15	0

Source: The Howard Marlboro Group of In-Store Survey of Supermarket Executives, June, 1988.

PHARMACY

Congress renews its attack against unfair Rx pricing

By Ken Rankin

WASHINGTON — Responding to protests from consumers and retail pharmacists, Congress recently launched a fresh attack on pharmaceutical industry pricing practices.

The battleground for the latest skirmish over prescription drug costs was the Senate Special Committee on Aging, where chairman David Pryor (D-Ark.) made good on his promise to the National Association of Retail Druggists (NARD) to hold hearings this summer into discriminatory pricing by the pharmaceutical industry.

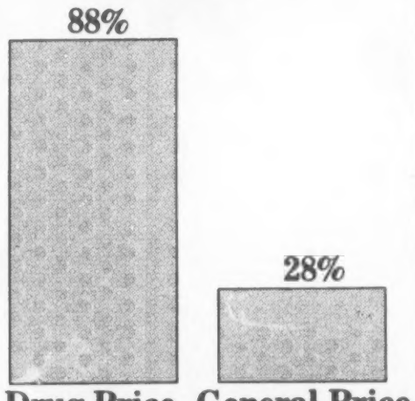
At the hearing's onset, Pryor produced a chart showing that for 10 brand name drugs widely prescribed for the elderly, hospitals pay anywhere from 4 percent to 99 percent less than the prices charged to retail drug stores.

To dramatize the effects of these discriminatory pricing practices, Prior produced four containers of Motrin, each labeled with the average price paid by each class of purchaser.

According to committee researchers, although the average wholesale price of Upjohn's anti-inflammatory drug to retail pharmacies is $32, hospitals are able to purchase Motrin for only $8.

Moreover, the Senate staffers found that while Veterans Administration hospitals can buy the same drug for even less ($5), they concluded that when the new "catastrophic" drug program for the elderly takes effect, Medicare will be paying an average of $29 for Motrin.

Drug price increases outpace inflation
1981-1988



Source: CPI-U (less medical component) and CPI-U (Rx drug component)

An even more extreme example cited at the hearings revealed that retail pharmacies pay an average of $32 for 30 5mg patches of Transderm-Nitro, while hospitals pay only one cent.

An even more extreme example cited at the hearings revealed that retail pharmacies pay an average of $32 for 30 5mg patches of Transderm-Nitro, while hospitals pay only one cent for the same product.

In a "briefing paper" distributed to the press at the start of the hearings, Senate staffers voiced sharp criticism of the pricing differentials employed in the pharmaceutical industry

"There are two domestic markets in the United States for most big-selling prescription drugs," they said in that report, "a price competitive market characterized by deep discount off the published list price, and a high-priced market where retail customers, Medicare and Medicaid purchase their prescription drugs."

For his part, Pryor charged that "here in the United States the price you pay for a prescription drug depends on who you are and what kind of a deal you can strike with the manufacturer."

Noting that "hospitals and the Veterans' Administration get the best prices" from pharmaceutical manufacturers, Pryor charged that "Medicare, Medicaid and the public buying at pharmacies get the worst prices, because the pharmacies have to pay high prices."

Significantly, the Senate committee also attacked pharmaceutical manufacturers for refusing to bid on supply contracts for retail pharmacy group purchase programs—a practice which they said may violate federal antitrust law.

Officials from the Lenco Group, a buying organization that negotiates group purchase contracts for some 2,300 independent pharmacies nationwide, told the committee that brand-name pharmaceutical manufacturers have effectively boycotted their service.

Continued on page 34

Georgia pharmacists optimistic concerning nurse Rx dispensing

By Elizabeth Richardson

ATLANTA — Georgia pharmacists are showing optimism some two months after persuading legislators to amend a bill which allows nurse practitioners to dispense and prescribe drugs.

"So far the bill has worked very well," said Wayne Oliver, director of governmental affairs of the Georgia Pharmaceutical Association (GPhA). "Initially, HB 209 would have allowed any nurse in any setting to order and dispense any medication to any patient based on protocol—pharmacy was completely left out. This could have been potentially the most devastating piece of legislation in Georgia in years."

Pharmacists worked in conjunction with physicians and nurses to come up with a compromise which was agreeable to all three groups.

Pharmacists worked in conjunction with physicians and nurses to come up with a compromise which was agreeable to all three groups. The bill, passed in late spring, is composed of three parts:

- Advance nurse practitioners may order, but not dispense, under protocol in any setting.
- Any nurse may prescribe and dispense under protocol in certain settings, especially relating to public health, non-profit institutions.
- A nurse may prescribe and dispense under protocol in out-patient, hospital-owned indigent clinics.

The bill defines "protocol" as a written document mutually agreed upon and signed by a nurse and a licensed physician or pharmacist, by which the physician or pharmacist delegates to that nurse the authority to perform certain medical acts.

Most pharmacists agree that the end result was a bill they could live with.

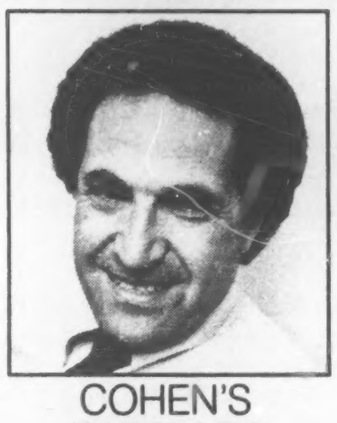
Pharmacists satisfied

"I'm so delighted that we have responsibility for total drug dispensing in public health [through the writing of dispensing protocols]," said Joe Whaley, a public health pharmacist from Albany, Ga. "Pharmacy could have been excluded with the sweep of a pen, had it not been for people who worked very hard to see this bill through."

Mahlon Davidson, a pharmacist with Big B

Continued on page 34

Nurses should dispense, prescribe in proper setting



COHEN'S CAPSULES
HAROLD COHEN

For most of us the first person, aside from our mothers and the pediatrician who delivered us, to make contact with us as human beings has been a nurse.

Thinking back to grammar school, the nurse acted almost as a surrogate mother. When we got sick at home we went to our mother; when we got sick at school, we went to the school nurse, who usually fixed everything with a smile, a glass of juice and a rest on the couch in her office.

It should come as no surprise then that the first image of a nurse I conjure up is one of a caring and professional individual who always seemed to be at the right place at the right time.

I guess that's why it bothers me to see individuals, especially health care professionals, take nursing for granted. Having worked in a hospital pharmacy at one time, it became quickly evident to me that it was, in large part, the nurses that had the bulk of responsibility in caring for patients. It was the nurses who took the medications to the different rooms and made sure the right pills were in the proper patient cups.

Nothing new

It's not something new. It's something nurses have been doing for generations. So what's all this fuss over nurse practitioners dispensing and prescribing medications? *(See story on this page).*

The immediate reaction I, and apparently other pharmacists had to the news of nurses dispensing and prescribing was visceral; a similar kind of reaction we had when hearing that physicians were dispensing from their offices.

But then I got to thinking that it's not the same. First, where is the profit motive? Nurses don't want to dispense or prescribe for financial rewards. They want to do it because it fits into their scheme of things, taking care of sick patients when the physicians are not around.

In certain situations

I'm not saying that nurses should have carte blanche on dispensing and prescribing medication, but in certain protocols I can see it. Not only do I see it, but I encourage it.

I unfortunately spent time earlier this year visiting my father in intensive care. It's a place where life and death aren't just words,they have real meaning.

Often, medication decisions have to be made without the luxury of consulting with a physician, even though most hospitals still insist on it. It's a place where nurses rule the roost with only occasional visits from doctors. It's a place where nurses should definitely be able to prescribe and dispense.

There are other protocols I think a nurse should exercise professional judgments in prescribing and dispensing medications. Such places would be long-term facilities like nursing homes and prisons, and busy, understaffed emergency rooms where triage is the call of the day.

Do I think nurses should dispense or prescribe indiscriminately? Of course not. But let's not waste a valuable health care resource because we are afraid that nurses will undermine pharmacists and physicians. Nurses don't want that. I'm convinced that all they want is to fortify and augment a health care system in this country that is already pretty damn good. Don't stand in their way.

PHARMACY

Congress attacks industry's Rx pricing practices

Continued from page 33

While generic drug producers have actively bid on contracts to serve Lenco's pharmacy clients, "manufacturers of single-source and brand-name multi-source drug products have, for the most part, declined to participate with group purchase plans," the group's partner, William Mincy, told Congress.

This refusal to bid is "confusing" to pharmacists, he said, "in light that the majority of these same pharmaceutical manufacturers participate in contract purchasing programs with hospitals, HMOs, and mail order pharmacy companies that often compete directly with retail pharmacies."

"Kansas Medicaid administrators estimate the state's taxpayers could save up to an additional $500,000 a year if manufacturers of the four marketed H_2 antagonists would respond to offers with bids," they said. "Kansas officials believe state and federal governments could save hundreds of millions of dollars if Congress were to put into place a national bidding and negotiating program under the Medicaid program."

Senate officials also charged that rising manufacturer drug prices were causing third-party programs to unfairly cut back on reimbursement to retail drug stores.

Small businesses squeezed

"Small retail pharmacies are being squeezed out of business, caught between rising drug prices and reimbursement limits imposed by public and private payers who won't pay pharmacies fully for the increased cost of drugs they sell," committee staffers said.

Significantly, however, they concluded that while "actions by insurers and Medicaid programs to cut pharmacy reimbursement have hurt pharmacies," they "have had little effect on drug prices."

According to a chart released by Prior's committee, although the average cost of a Medicaid prescription rose 56 percent between 1982 and 1987, pharmacy dispensing fees increased only 9 percent, from $3.04 to $3.32. During that same seven-year period, however, the average drug product cost rose from $6.13 to $11.07—an increase of more than 80 percent.

"In response to rising drug costs, insurers and Medicaid programs have given pharmacists minimal increases in reimbursement over recent years," the committee report concluded. "The combined effect of rapidly rising drug prices, which must be paid by the pharmacist, and reimbursement limits imposed by insurers and Medicaid are reducing pharmacists' profitability."

Net profit off

Specifically, the committee produced figures suggesting that while the "average prescription drug price" has climbed from about $3 in 1960 to $15 today, net profit at the typical pharmacy has declined sharply from about 5 percent then to 3 percent today.

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Ga. nurse Rxs

Continued from page 33

Drugs in Conyers, lobbied the legislative committee about the bill.

"The original bill was very vague and it led to ramifications that no pharmacist could agree with," he said. "We sat down and showed the legislators that it would open doors to things we didn't and they didn't ever intend to open. We were able to define pharmacy services and physician services."

Carl Johnson, a Kroger pharmacist form Atlanta, perceives the situation in terms of the symbol of pharmacy.

"In the Bowl of Hygeia are all of the drugs that do mankind good," he explained. "Also in that bowl are drugs that are addicting, diverting, and those that are more harmful than good if they interact with other drugs. I see the serpent as the pharmacist guarding what's safe. People can't just dip freely in the bowl and get what they want, when they want it."

Nurses in the state, although disappointed that they cannot function under protocol in *any* setting, agree that the bill is a good compromise.

"So far, it's worked well in all areas," said Lynda McSwain, president of the Georgia Nurses Association. "We've had a good relationship develop out of it. The pharmacists have been volunteering to write up the dispensing procedures, just as they promised they would."

The bill was introduced as a result of Georgia Attorney General Michael Bowers' ruling that protocol was not defined under the law, therefore limiting prescribing and dispensing to certain health care professionals, of which nurses were not a part. The ruling immediately effected public health facilities, especially in rural areas, since many nurses were already prescribing and dispensing drugs.

Other states, such as New York, Connecticut and California, are in the process of or have already imposed similar opposition and compromises to similar legislation.

FINANCIAL

Revco D.S. looks beyond this year's red ink

Continued from page 1
drug store base in the 1990s.

Important for stability, a new team of seasoned retail managers is in place, and headquarters support positions have been beefed up. Field management has also been strengthened by a broader network of district managers and pharmacy supervisors *(see Bellini article, page 2).*

Moreover, inventory levels are back to mid-90-percent levels at Revco distribution centers.

The chain has weathered many storms—including a near-disastrous cutoff in inventory shipments last summer and fall—and come through them with its basic business intact and its employees and vendors reassured.

Operating profit for Revco in the fiscal year was $6.4 million before depreciation and amortization, compared with $96.4 million in operating profits last year on sales of $2.4 billion. Non-recurring expenses related to Revco's bankrupcty last summer and its efforts to retool its merchandise mix and business strategy, along with interest payments and price reductions in its stores, led to the decline in operating earnings and the steep losses at the bottom line.

The chain has weathered many storms—including a near-disastrous cutoff in inventory shipments last summer and fall—and come through them with its basic business intact and its employees and vendors reassured. The disruptions caused by Revco's fiscal crisis, especially during the first half of the fiscal year, contributed to the $133 million in losses.

In an open letter to employees, Sells noted "a huge disruption in vendor support for several months" after the Chapter 11 filing last year. "We didn't have a whole lot to sell. So, customers shopped elsewhere," Sells said. "In the last six months, our shelves have been full again and customers have returned. Stores are cleaner, brighter, better stocked and friendlier than they were a year ago."

Noting Revco's efforts to restore vendor confidence, rebuild inventory levels and refine its merchandise mix and store format, Greg Raven, chief financial officer, added that operations in the second half showed steady improvements. "The trends are encouraging," he said.

In addition, much of the red ink in fiscal 1989 was spilled over nonrecurring, non-cash charges. Among them: a $38.3 million write-off in deferred debt costs related to its LBO, a $20.6 million write-off of old fixtures and equipment which will be replaced by new pharmacy and POS computer systems, and $17.3 million taken for inventory price reductions and refinements to the gross profit reporting system, which has been vastly improved with new software and data processing capabilities under Bill Seltzer, head of data processing.

Excluding those charges, Revco generated $61.7 million in operating earnings during the year, $48 million of it in the second half. Significantly, the chain's cash flow has been enough to meet current obligations without dipping into a revolving credit line set up for the company last year.

"As for Revco now, events are moving along," Sells wrote to employees. "The management team has shared the business goals of the company with our creditors, and we are working on a plan of reorganization that will allow us to emerge from bankruptcy."

Saying the company was "much healthier" than it was a year ago, Sells added, "We will not be in Chapter 11 forever."

Walgreen's 3rd qtr. shows sales, earnings records; 17¢ dividend is declared

DEERFIELD, Ill. — Walgreen Co. announced record sales and earnings for the third quarter and first nine months ended May 31.

Net sales for the quarter rose 11.1 percent, to $1.4 billion. Net earnings increased 25 percent, to $38.5 million, compared with $30.8 million for the period last year.

Sales for the nine months rose 9.7 percent, to $4.04 billion. Net earnings were up 24.1 percent, to $120.5 million, from $97.1 million for the period a year ago.

In other action, the board of directors declared a regular quarterly dividend of 17 cents per share, payable Sept. 12, to shareholders of record Aug. 22.

The drug division had sales increases of 14.0 percent for the quarter and 12.6 percent for the nine months, and showed improved gross margins for both periods, the company said. Comparable-store sales were up 9.1 percent for the nine months.

"Our prescription business continued its strong trend," said Fred F. Canning, president. "Pharmacy sales increased 22.4 percent for the quarter, leading to a 23.7 percent advance for the nine months. We're selective in our decisions to participate in third-party prescription plans in this growing but cost-pressured area."

Name	Symbol	STOCK PRICE From 07/14/89 - 07/31/89 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct.	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	72.50	63.63	70.00	6.13	9.59	72.50	48.63	2.54	-1.54 q	-38.9	28.9	1.00	1.4
Arbor Drugs	ARBR	23.75	19.50	23.00	3.00	15.00	23.75	8.00	.70	.20 n	29.4	26.1	.16	.7
Big B	BIGB	13.50	12.75	12.88	-.50	-3.74	15.38	10.75	.91	-.22 q	-20.8	15.3	.16	1.2
Fay's Inc	FAY	13.13	12.00	13.00	.88	7.22	13.25	7.28	.66	.29 q	70.7	18.6	.20	1.5
Genovese Drug	GDX	11.75	10.75	11.50	.50	4.55	12.88	8.75	.83	.17 q	25.8	13.9	.24	2.1
Longs Drg Strs	LDG	43.13	41.13	42.88	-.25	-.58	43.88	33.63	2.75	.35 q	14.2	15.3	.96	2.2
Medicare Glaser	MGCO	5.75	5.75	5.75	.00	.00	5.88	2.25	-.10	-.23 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	31.00	28.25	31.00	2.75	9.73	31.75	20.75	1.11	.27 n	26.0	23.7	.10	.3
Perry Drug	PDS	11.75	11.13	11.50	-.25	-2.13	13.50	5.25	-3.15	.20 s	NE	NE	.00	.0
Rite Aid Corp	RAD	40.50	37.00	39.63	2.63	7.09	40.50	29.13	2.30	-.02 q	-.9	17.1	.82	2.1
Walgreen Co	WAG	50.25	45.00	49.50	4.00	8.79	50.25	27.13	2.10	.48 n	24.0	20.0	.68	1.4
Wholesaler's transactions														
Alco Health Svcs	AAHS	25.00	24.50	25.00	.75	3.09	30.25	22.75	1.55	-.11 q	-7.4	18.1	.06	.2
Bergen Brunswig	BBCA	31.13	29.38	30.38	.25	.83	31.13	18.75	1.78	.72 n	45.9	13.3	.32	1.1
Bindley Wstn	BIND	9.38	8.50	9.00	.38	4.35	9.38	6.63	.58	.22 q	68.8	16.7	.00	.0
Cardinal Distrb	CDIC	26.00	23.50	25.50	2.00	8.51	26.00	15.69	1.58	.28 q	21.2	15.9	.08	.3
Durr Fillauer	DUFM	22.25	21.13	21.13	-.88	-3.98	23.13	13.25	.92	1.26 s	293.0	12.5	.24	1.1
Ketchum	KCH	6.38	5.38	5.38	-.88	-14.00	9.50	4.75	-4.73	-1.44 q	NE	NE	.00	.0
McKesson Cp	MCK	36.88	34.75	36.63	.75	2.09	36.88	29.63	2.28	.05 f	2.2	16.1	1.44	3.9
Moore Med	MMD	14.25	12.88	13.50	.50	3.85	15.63	9.00	-2.17	-4.00 q	-100.0	NE	.00	.0
Owens Minor	OMI	12.75	12.13	12.63	.13	1.00	15.88	11.38	1.00	-.35 s	-35.7	20.0	.26	2.1
Manufacturer's transactions														
Abbott Labs	ABT	65.75	61.25	65.75	4.50	7.35	65.75	43.75	3.33	.52 s	17.0	18.4	1.40	2.1
Am Home Prod	AHP	103.00	95.00	103.00	7.00	7.29	103.00	74.25	6.38	.64 s	10.6	15.4	3.90	3.8
Baxter Intl	BAX	23.38	20.75	23.13	2.00	9.47	23.38	16.25	1.31	.15 q	12.6	17.3	.56	2.4
Block Drugs Co	BLOCA	35.50	34.75	35.50	.38	1.07	36.00	28.25	2.55	.26 f	11.4	13.9	.64	1.8
Bolar Pharm	BLR	30.50	26.63	27.88	.88	3.24	32.25	16.38	1.51	.45 q	41.3	18.1	.04	.1
Bristol-Myers	BMY	52.13	47.88	48.25	-1.50	-3.02	52.13	40.75	2.88	.38 q	14.7	16.2	2.00	4.1
Carter-Wallace	CAR	53.00	46.13	52.88	6.25	13.40	53.00	36.25	2.97	.42 q	15.7	17.1	.82	1.6
Forest Labs	FRX	36.00	30.63	35.25	4.38	14.17	36.00	19.25	1.20	.24 f	25.0	29.4	.00	.0
ICN Pharm	ICN	6.88	6.13	6.38	-.13	-1.92	7.38	5.63	.23	1.54 s	NE	70.8	.00	.0
Lee Pharm	LPH	3.50	3.00	3.13	-.38	-10.71	5.50	3.00	-.23	.49 s	NE	NE	.00	.0
Leiner P Nutri	PLI	20.38	19.25	20.13	.88	4.55	20.88	9.13	1.12	.26 f	30.2	18.0	.00	.0
Lilly Eli Co	LLY	64.25	57.75	63.75	5.75	9.91	64.25	40.25	2.67	.51 s	20.8	21.5	1.35	2.1
Marion Labs	MKC	36.00	25.13	35.88	10.63	42.08	36.00	16.38	1.46	.50 f	52.1	24.6	.36	1.0
Merck & Co	MRK	77.88	71.50	76.00	4.13	5.74	77.88	53.50	3.05	.77 s	29.1	22.2	1.80	2.4
Mylan Labs	MYL	10.38	9.38	9.50	-.63	-6.17	11.50	7.50	.50	-.29 q	-40.3	22.1	.10	1.1
Newport Pharm	NWPH	3.94	3.44	3.44	-.56	-14.06	6.56	1.75	-.45	-.34 s	NC	NE	.00	.0
Par Pharm	PRX	10.38	7.00	7.50	-2.00	-21.05	13.00	7.00	.99	-.21 s	-18.9	8.3	.04	.5
Pfizer Inc	PFE	65.38	58.25	65.00	6.25	10.64	65.38	49.88	4.70	.56 q	13.1	13.5	2.20	3.4
Robins, AH	QRAH	33.25	30.00	33.13	3.25	10.88	33.25	21.88	2.42	67.78 q	NE	13.1	.00	.0
Rorer Group	ROR	42.00	37.00	41.88	4.75	12.79	48.25	33.63	1.96	-.55 q	-21.6	20.9	.80	1.9
Scherer RP Cp	SCHC	15.75	14.75	15.75	.25	1.61	33.38	14.75	.76	-.28 f	-26.9	20.7	.40	2.5
Scher Plough	SGP	77.75	67.25	76.75	8.75	12.87	77.75	49.50	3.48	.75 s	24.1	19.9	1.80	2.3
Squibb Corp	SQB	114.00	79.13	110.38	30.75	38.62	114.00	60.00	4.30	.80 s	20.5	23.5	2.00	1.8
Syntex Corp	SYN	51.13	46.00	50.75	2.75	5.73	54.50	35.00	2.51	.37 n	15.4	18.3	1.50	3.0
Thiokol Inc	TKC	13.75	12.38	12.88	-.38	-2.83	14.88	12.38	3.33	2.48 n	NC	5.2	.00	.0
Upjohn Co	UPJ	36.00	30.13	36.00	5.38	17.55	36.00	27.00	1.90	.23 s	13.1	18.1	.88	2.4
Warner-Lambrt	WLA	110.75	96.50	110.25	12.38	12.64	110.75	68.13	5.00	1.00 s	21.8	19.8	2.56	2.3
Zenith Labs	ZEN	1.25	1.13	1.13	-.13	-10.00	2.75	1.13	-.89	-.33 f	NE	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	52.50	48.25	52.50	2.50	5.00	52.50	30.00	2.44	.60 q	30.5	20.4	.80	1.5
K mart Cp	KM	42.00	37.25	42.00	4.25	11.26	42.00	31.25	4.00	.44 q	12.8	10.9	1.64	3.9
Melville Cp	MES	47.25	45.63	47.13	.50	1.07	47.25	33.13	1.63	-1.08 s	-39.6	28.6	1.30	2.8
Penney, JC	JCP	60.75	57.13	60.38	1.38	2.33	60.75	44.88	6.02	1.87 q	45.0	10.0	2.24	3.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

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DRUG STORE NEWS

Vol. 11/N t year of serving chains, wholesalers and high-volume independents Published by Lebhar-Friedman Inc. Aug. 28, 1989

Mc on Corp. seeks or-nothing re ship with PCS

By Pamela Meek

SAN FRANCISCO — McKesson Corp. announced it is looking to sell its stake in PCS or move to totally control the third-party prescription claims processor in which it has an 86-percent interest. PCS processed 90 million script claims in 1988.

The move follows months of pressure brought by drug chains and independents who want McKesson to become accountable for many of the controversial reimbursement plans administered by Phoenix-based PCS.

To stay competitive in the third-party arena, PCS offers employers and insurance carriers a variety of cost-containment reimbursement options. Yet some of these plans call for reimbursement levels at the average wholesale price minus 10 or 20 percent; many of McKesson's customers want the wholesaler to pressure PCS to refuse to administer these discounted third-party plans.

Thomas W. Field Jr., chairman of McKesson and PCS, attempted to placate pharmacists in February by explaining McKesson's arms-length relationship with PCS. Still, the fervor has not died. Rite Aid, for example, has stopped accepting PCS-administered plans in several of its markets because the reimbursement levels were allegedly below the cost of doing business.

(See related McKesson article, p. 22.)

McKesson is now reviewing its options for PCS with the help of an investment banker, and although James Cohune, director of public relations, could not disclose a time frame for the decision, he said the move "should not drag out forever."

Dart files Chapter 11 to aid recasting effort

By David Vaczek

LANDOVER, Md. — With as much as $15 million in cash and bank credit on hand to pay vendors, Dart Drug Stores plans to maintain its costly chainwide repositioning effort despite filing for Chapter 11 protection this month, company spokespersons said.

"They intend to go ahead with the basic business plan," said William Perlstein, Dart's bankruptcy lawyer, with Wilmer, Cutler & Pickering. That would include an ambitious menu of store renovations, free prescription deliveries, high service levels and significant charitable donations—meant to improve Dart's long-tarnished image in the Greater D.C. retail hotbed.

Dart Drug Stores, by seeking Chapter 11 protection, is buying time to reposition itself and improve stake in Greater Washington retail hotbed.

The chain's longstanding discount image under founder Herbert Haft has made it difficult for today's cleaner, service-oriented operation under Fantle to attract heavy customer traffic. Meanwhile, Rite Aid has usurped the role of market discounter by offering its everyday low-price approach in 84 made-over Drug Fair stores acquired last year. Rite Aid, for example, now advertises beer and wine as loss leaders, once a Dart trademark.

Peoples, with its strong pharmacy image, holds a dominant 45 percent market share here, followed by Dart's 20 percent, Rite Aid's 16 percent, Giant's 12 percent and F&M's 7 percent, according to Metro Market Studies.

James Schwarz, executive vp and general counsel at Dart, confirmed management's "business as usual" stance. He is part of the team

See **Dart**, *page 21*

Challenges for the '90s eyed:

Broad agenda set for NACDS Rx meet

Horner

Stoessinger

Kusserow

WASHINGTON, D.C. — At press time, almost 800 drug industry executives and 150 exhibitors were planning their strategies for working the 32nd annual NACDS Pharmaceutical Conference, Aug. 27-30 at the Washington Hilton & Towers here. An array of speakers and seminars will address the challenges for pharmacy in the 1990s.

Constance Horner, U.S. Undersecretary of Health and Human Services, will kick off the Monday morning business session with details on the Bush Administration's health policy agenda.

In addition, Donald N. Muse, principal analyst for Medicare and Medicaid in the Congressional Budget Office, will discuss future directions in health-care financing. Muse will be joined by Hemant K. Shah, a financial analyst specializing in the pharmaceutical, hospital supply and generic drug industries. Shah will focus on the Medicare Catastrophic Act's effect on the pharmaceutical industry and retail trade.

A highlight of the conference will be the unveiling, dur-

See **Rx**, *page 21*

LATE NEWS

- TORONTO — The Boots Drug Stores logo will soon disappear from the Ontario retail landscape, as Oshawa Group Ltd. makes final preparations for a name change at the 108 drug stores it acquired from Boots' British parent company last year. The switch in logos from Boots to Pharma Plus Drugmarts will occur in September or October, according to a spokesman.
- LOS ANGELES — Pacific Enterprises blamed "highly competitive pricing in key markets" for declining operating earnings at its Thrifty Corp. drug store division in the second quarter. Thrifty reported after-tax operating income of $11 million for the period ended May 31, compared with $12 million last year. Sales jumped 49 percent, to $719 million, largely due to the recent acquisition of Pay 'n Save in the Northwest.
- WASHINGTON — The FDA, broadening its inquiry into the generic industry, said it is testing the 30 most prescribed generic drugs, along with the original patented versions, to make sure their formulations are Federally approved.

Newly-trim Peoples turns to its strengths

ALEXANDRIA, Va. — Peoples Drug Stores, following this month's sale of its last big block of Midwestern stores to a new drug chain headed by Roger Grass, can devote its full energies to raising profitability of a core of 500-plus stores in its strongest markets.

Over the past eight months, Peoples has divested itself of three outlying divisions: 85 Reed Drug stores in the Southeast to Big B in January, 114 stores primarily in Ohio to Rite Aid in March, and the pending sale of 120 stores, mainly in Indiana, to Grass's Price Right Discount Pharmacies.

Cash raised from the sale of these "underperforming assets" will be used to help retire debt of parent company Imasco Ltd. of Canada. "It will reduce Peoples' interest rates and will speed up the return to greater profitability,"

David Eisenberg
Managing streamlined chain

See **Peoples**, *page 21*

NEWS IN BRIEF

Albertson's expands Texas territory

BOISE, Idaho — Stepping up its coverage of the Texas market, Albertson's is purchasing three Skaggs Alpha Beta combo stores in Austin for an undisclosed amount.

The deal comes only months after Albertson's acquisition of nine Tom Thumb stores—six of which were also in Austin. The latest move will give Albertson's 58 stores in Texas, while it will bring the company's total store count to 505.

"Texas is very good for us, so we are very happy to expand there," explained company group vice president of finance Craig Olson. He said Albertson's is continually on the lookout for potential acquisition sites in the market.

The Skaggs stores include pharmacies and run approximately 55,000 square feet. According to vp-finance Craig Olson, the stores will not require remodeling, only resetting to the Albertson's standard merchandising approach.

Given Federal Trade Commission and the Department of Justice approval, the transaction is expected to close in October.

Although unrelated to the acquisition, according to Olson, Albertson's is preparing to open a full-line distribution facility this year in Fort Worth, Texas. The DC will be the chain's largest at 731,000 square feet, and will see partial use this November and then be fully operational in January.

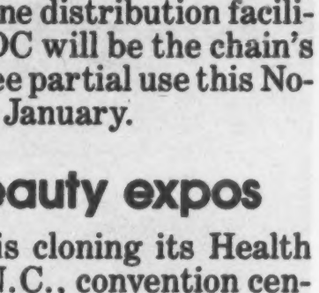
Revco plans 2 health & beauty expos

TWINSBURG, Ohio — Revco D.S. is cloning its Health and Beauty Expo using the Charlotte, N.C., convention center as the site for a two-day extravaganza March 30 and 31, 1990.

The chain will also hold an expo in Cleveland May 18, 19 and 20, 1990, in conjunction with its Revco-Cleveland Marathon Weekend. The last Cleveland show drew 100,000 visitors in two days.

The Charlotte expo, free to the public, will feature exhibitors of health, beauty and fitness products, plus entertainment, exercise and beauty demonstrations, free health screenings and celebrity appearances. Exhibitors will demonstrate products and offer numerous free samples and coupons.

J&J names Gilbert customer relations vp



NEW BRUNSWICK, N.J. — Jerry B. Gilbert has been named vp-consumer sector customer relations at Johnson & Johnson. In his new position, he serves as the single executive contact on business issues not related to a specific company or brand.

Gilbert joined J&J in 1958 as a sales rep, then progressed to sales management, product management and trade relations. He served most recently as director, trade development at J&J Consumer Products.

Columbia names vp-corporate affairs

MIAMI — William Van Dree is the new vp-corporate affairs at Columbia Laboratories. Before coming to Columbia, Van Dree was director of trade relations at Janssen Pharmaceutica. He has also been a division manager and trade relations manager for Johnson & Johnson's dermatological division.

Van Dree's experience in trade relations spans 34 years and includes all aspects of sales.

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Medic Discount will be rolling out its high-convenience, strong-pharmacy formula to a total of 30 stores throughout Greater Cleveland.

Medic Discount accelerates expansion around Cleveland

LAKEWOOD, Ohio — Medic Discount Drug unveiled its third new drug store in the past 16 months in August, and is gearing up for two more from-the-ground-up openings in its home Cleveland market by early next year.

The chain's newest store, located on busy Detroit Avenue just west of the Cleveland city limits, brings Medic's store count to 21 and gives it a second store site in Lakewood, a bedroom community of 67,000. Medic is also expanding and relocating stores as it cashes in on the Cleveland area's economic renewal.

"We could have 30 stores here within the next few years," Tom McWilliams, Medic's director of store operations, told *Drug Store News*.

New distribution center

The 23-year-old chain is also doubling its warehouse space with a move to a new distribution center adjacent to central offices on Cleveland's east side. The center will continue to supply stores with private label and home health care items, advertised specials and volume buys and some H&BAs, but Harris Wholesale will continue to supply Medic stores with the bulk of inventory.

Medic's recent surge is built on a solid foundation of high per-store sales—in excess of $2 million on average without benefit of liquor, beer or wine sales, its executives say—and heathy profit levels. "For the most part, we're using internally generated funds for acquisitions and growth," explained co-owner and president Nathan Lipsyc. "We don't want to overextend ourselves."

Lipsyc and other Medic executives characterize the company as thriving, despite intense competition in the Cleveland market from a host of rivals. Among them: two hometowners, Revco D.S. and Discount Drug Mart; Rite Aid, which swept into northern Ohio with the takeover of Gray Drug two years ago; also, 15 large-scale, high-volume Marc's and Bernie Shulman's deep discount stores in Cleveland and Akron, seven Sid's Get It For Less stores and nine Carls Food and Drug stores.

Competitive advantage

"This market has changed tremendously in the last few years," said McWilliams, himself a veteran of Gray who came to Medic following Gray's acquisition by Rite Aid. "It's very competitive, but we think customer service is our competitive advantage."

"We're competitive on price, but we're certainly not the lowest in town," noted Lipsyc. "I'd like to think our name means a fair, friendly, service-oriented, customer-driven store.

"We figure we have a customer in our store for about six to eight minutes, and it's our job to treat them right once they're in there. We want to make it easy for them to find what they need in a hurry."

Medic has two other strong drawing cards as well: its health care image, and a merchandise mix designed to appeal to a broad array of basic drug store needs. "We offer quick-stop convenience," said Lipsyc. "If widgets sell, we're going to promote them."

The chain is particularly strong in greeting cards—it offers an expanded department of American Greetings' top line—and in photofinishing. "We're second in the country in average per-store dollar volume for our photofinishing supplier (Guardian Photo Labs)," said Zlotnik.

Medic's health care image is cultivated by senior management, all of whom are registered pharmacists, and by a variety of programs. Health care screenings are held in six to nine stores a month on a rotating basis. Pharmacists are trained and encouraged to be accessible to customers. And the chain offers a strong mix of home health care items through both its stores and a separate, freestanding home health care outlet-warehouse.

Pharmasave expanding in Vancouver; entering Alberta market with 31 units

LANGLEY, B.C. — Pharmasave Drugs, the independent cooperative based here, has opened six stores in Vancouver this month. At the same time, the franchiser is preparing to enter Alberta for the first time when it opens 31 stores there next month.

The Vancouver additions, some former independents and some entirely new businesses, give Pharmasave 46 stores in greater Vancouver and bring the franchiser's total to 125 locations in British Columbia and Nova Scotia.

Store grand openings were timed for the back-to-school selling season and, in keeping with the company average, each store runs approximately 5,000 square feet.

According to company advertising manager Martin Ross, the new openings "basically strengthen our market share." In Vancouver, Pharmasave competes with Boots and Shoppers Drug Mart, plus grocery combo retailers like Safeway and Real Canadian Superstore.

With the additional Vancouver stores, Ross said the company's annual sales volume should now hit around $220 million. The Alberta stores, set to open in mid-September under the Pharmasave banner, should generate $50 million in revenue their first year, Ross said.

As with the Nova Scotia market, entered by Pharmasave in early 1988, many of the Alberta stores are former independents. To help serve the new territory, Pharmasave has opened a regional coordinating office in the province.

OPINION

A tree grows in Twinsburg

IN THE MARKET
BRUCE BUCKLEY

The flash and the sharp crack came at the same instant. We jumped. Though we were indoors, we knew the lightning had struck something close by. It turned out to be a small tree, recently planted by a neighbor on our block. I still remember going outdoors after the storm and seeing the split trunk and smelling the burnt wood. The tree was a goner, we kids said.

Now, more than 30 years later, the "doomed" tree is the biggest and healthiest along the street. The only evidence of the lightning bolt is the Y-shaped configuration of the trunk. The trauma actually led to renewed strength and longevity on a city street that hasn't been kind to trees.

The leap from lightning to Chapter 11 may be a bit of a stretch; nevertheless, the tree came to mind about a month ago when I was reading a recent issue of Scripts, an internal newsletter published for the people of Revco. An article described an event at the company involving Boake Sells, the chairman, and employees around the country.

Employees were invited to call Sells to discuss anything on their minds. They didn't have to give their names. Thirty-three people from Alabama to Pennsylvania to Michigan to Texas took advantage of the opportunity to make observations, ask questions or register complaints. The callers touched on everything from merchandising and marketing issues to working conditions to the future of the company.

Sells, who doesn't believe in sugar-coating the facts, fielded suggestions and answered questions patiently and honestly. It was not the first time he had scheduled such an event. By all accounts, it was as successful as previous call-ins to "the main man," as one person called Sells.

The ceo's openness and the importance he attaches to the opinions and concerns of Revco's 26,000 employees are key ingredients, it seems to me, in the long haul from the lightning flash of bankruptcy and disarray to fiscal health. The struggle is far from complete, as the tough news of the company's 1989 financial performance indicates. But stores now have products to sell and are looking better than ever. Up-to-date systems are being installed to track performance at every level of the distribution chain. People seem to be caught up in a new spirit of anticipation. It's apparent that the tree is beginning to leaf.

* * *

Now comes news of another lightning bolt in Rockville, Md. Dart, the once-feisty but now beleaguered Washington, D.C. chain, has filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Though unexpected, the move was not entirely surprising. Like Revco, Dart has been straining to bear up under a gargantuan LBO debt load taken on by a previous management caught up in the lure of easy junk bond debt.

Again like Revco, a new administration, led by Bud Fantle, has been struggling to undo the damage of long neglect and a badly tarnished image among Washington-area shoppers. Everyone agrees that the efforts have paid off in a new look at the stores (renamed Fantle's in an effort to shed the scruffy Dart image). But the chain needs time and a breather from the onerous debt load to allow consumers to catch up to the reality of Dart's new service-oriented drug store image. Chapter 11 will give the chain the time to finish the job started by Fantle and his team almost two years ago. It won't be easy, but Revco's progress should provide some additional incentive for suppliers in whose hands Dart's survival now rests.

Lipsyc's zest born of adversity

THE HUMAN SIDE
AL HELLER

"I'm an eternal optimist," Medic Discount president Nat Lipsyc told me directly, no Pollyannaish manner in evidence.

As a young child, he survived the Holocaust because eleven separate non-Jewish families in Belgium hid him from the Nazis. "I had more mothers. . . ," he said, his voice trailing off.

Lipsyc today, at 51, conveys his message of hope in dark moments to Cleveland teenagers through speeches at temples and YMCA groups. "They have no reference to the Holocaust. It's history to them," he shrugged. "But I come in at the tail end of their studies.

"Some say, 'boy, you really must have suffered.' I tell them the people who really suffered were those with numbers on their arms, the ones in camps. I was lucky," Lipsyc added.

His desire to help bring dignity to the city's needy also shows up in his 16 years of involvement with Shoes For Kids. As a trustee, he has collection canisters in each of Medic's 21 stores, and helps raise the charity's $140,000-plus annually.

"It is really sad when you hear stories about three siblings who share one pair of shoes, so they take turns going to school," Lipsyc said.

Shoes For Kids' goal this year: 76,000 pairs of shoes, 50,000 pairs of mittens and 85,000 pairs of socks for distribution to inner-city schools and home delivery if needed.

Lipsyc's style is upfront and personal. And that is carried throughout Medic Discount, which he and partner Gerald Zlotnik, vp, secretary and director of purchasing, have run together since 1976. Former schoolmates, the two have been business partners since owning independents in the early 1960s.

They survived adversity in their early years as well. In year one, 250 independents were driven out of business in Cleveland; in year two, another 200. Today, Cleveland is resurging and Medic is growing

Nat Lipsyc (r) and Gerald Zlotnik: *Partners from high school to boardroom.*

along with it.

Some of their policies, meant to increase employee and customer comfort and loyalty:

- All new hires, including parttimers, spend a morning at headquarters with Lipsyc and director of operations Tom McWilliams being indoctrinated in customer service policies and the need to handle many store-level functions.
- More clerks per store than competing chains.
- Employee representatives meet quarterly with top management.
- Clerks write up photofinishing orders for customers, and are trained to escort shoppers to departments when asked for help.
- Store managers mail circulars to customers who live some distance from stores and request them.

"We've been through it all—unloaded trucks, filled scripts, and helped a child who just threw up in the next aisle," said Lipsyc. "Don't tell me you don't know what to do. Here is what you do."

Said McWilliams, echoing a Lipsyc sentiment: "We tell people we want them to stay with us forever."

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SPECIAL SAMI REPORT

Slowdown seen in hair care new product intros

Everyone is familiar with the old marketing bromide that new products are the lifeblood of a company's business, or variations on this theme. On several occasions during a weak 1989 sales period in both food and drug stores for health and beauty aids products, I have alluded to the dearth of innovative new products as a reason for unit volume declines in both food and drug stores. During the 12-week period ended June 16, 1989, volume in 52 categories tracked by Arbitron/SAMI fell 2.1 percent in food stores and 2.3 percent in drug stores. The trend downward has been in evidence for several months.

PRODUCT TRACKING
ALAN MILLER

In order to attempt to assess the importance of new products in overall H&BA trends, we have selected the seven-category hair care needs product group for special analysis. Since we wanted to conduct this scrutiny over an extended period of time, we have recorded food store sales rather than drug store volume; at present, our drug store national figures only go back three years.

In each of the seven hair care needs categories, both total category dollar volume and the volume contributed by new brands reaching $1 million or more in each year since 1980 have been posted. We have recorded the dollar movement for the entire product group in each of the nine years, as well as the dollars stemming from new brands which have become members of the Arbitron/SAMI million-dollar brand universe.

During the 1980s, the year with the highest volume from new one million-plus hair care products was 1984, when their contribution amounted to $139.4 million or 10.1 percent of total food store volume for the hair care needs product group. This was the year when hair styling mousse products were in proliferation and new million-dollar brands reached a volume level of $39.7 million.

In addition, 1984 was a banner year for new brands of shampoo which added $49.4 million to category sales, led by the introduction of Perma Soft, Affinity, Finesse, Clairol Essence and Hair Daily Requirement. New conditioning rinses were responsible for $32.9 million in added sales, representing 13.5 percent of total volume of conditioning rinses that year. Sales of hair care needs in 1984 rose $106.7 million or 8.4 percent. This was the highest gain rate except for the 14.3-percent jump in 1981, triggered by inflationary price increases.

After reaching the peak volume provided by new brands in 1984, there were declines in each of the next two years. In 1985, the new product contribution was $98.7 million, down 29.2 percent from the 1984 level. In 1986, the new product volume fell to $63.6 million, a further decline of 35.6 percent from the previous year. In 1986 total sales of hair care needs grew by only $12.7 million, a gain of less than 1 percent. The 1987 gain rate for all hair care needs rose slightly (1.7 percent), due to strong growth in the hair spray category and aided by the addition of the nearly $31 million sales from P&G's Pert Plus national launching. However, in spite of this new product's vitality in the shampoo category, overall sales of shampoo fell $5 million in 1987. It is fairly apparent that the sales of new million-dollar brands of shampoo, which had a decade-high level of $50.9 million, did not expand category volume but merely cannibalized the sales of existing brands.

It would appear that the recession/inflation economy of the early '80s held down new products in the hair care needs product group. But starting in 1983, they poured forth until the more recent '80s when the new entries tended to take volume away from the established brands rather than expanding category volume.

Readers wishing to secure more information on new H&BA products of the 1980s are invited to contact Warren Spence, vp H&BA marketing, Arbitron/SAMI, 55 Greens Farms Road, Westport, Conn. 06880.

Food store sales of hair care needs in the 80s
($ millions)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Sales	978.4	1,118.4	1,205.4	1,274.4	1,381.1	1,451.4	1,464.0	1,489.1	1,553.7
% change		+14.3	+7.8	+5.7	+8.4	+5.1	+0.9	+1.7	+4.3

Source: Arbitron/SAMI

Food store sales of new million dollar brands of hair care needs

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Shampoo	24.6	11.9	4.6	43.0	49.4	29.3	20.9	50.9	16.3
Hair spray	0.0	7.9	3.9	7.5	12.5	4.9	12.4	12.6	21.6
Hair conditioning rinse	11.6	4.1	19.4	28.9	32.9	33.3	15.2	11.8	1.1
Hair setting needs	0.0	0.0	0.0	0.0	39.7	21.6	7.5	12.0	5.6
Home permanent kits	0.0	0.0	2.5	3.0	0.0	0.0	0.0	0.0	0.0
Hair coloring	0.0	0.0	1.1	0.0	0.0	6.1	6.2	0.0	1.5
Hair dressing needs	0.0	0.0	0.0	7.5	4.9	3.5	1.4	0.0	0.0
Total hair care needs	36.2	23.9	31.5	89.9	39.4	98.7	63.6	87.3	46.1
% new products total	3.7	2.1	2.6	7.1	10.1	6.8	4.3	5.9	3.0

Source: Arbitron/SAMI

Birthrate down, but baby care market up

NEW YORK — The baby care products market will continue to grow, despite a decline in the U.S. birth rate from 3.8 billion in 1985 to 3.5 million in 1995, reported Frost & Sullivan.

The market research firm credits this trend to the more than 60 percent of the female population who will join the labor force by the mid-1990s. These women will be part of two-income families who will have more discretionery income, and a greater need for convenient baby care products sold at their drug stores.

Overall sales for baby care products are expected to reach $7.5 billion by 1993, a significant increase from 1988's overall sales of $5.9 billion. More specifically, the report predicted disposable diaper sales to reach $3.9 billion in 1993, up from $3.1 billion in 1988. Pre-moistened wipes will show sharp growth, and nursing products (nipples, pacifiers, bottles and disposable bottle liners) will enjoy the greatest increase of all baby product segments: 1988 sales of $146 million should reach $206 million by 1993.

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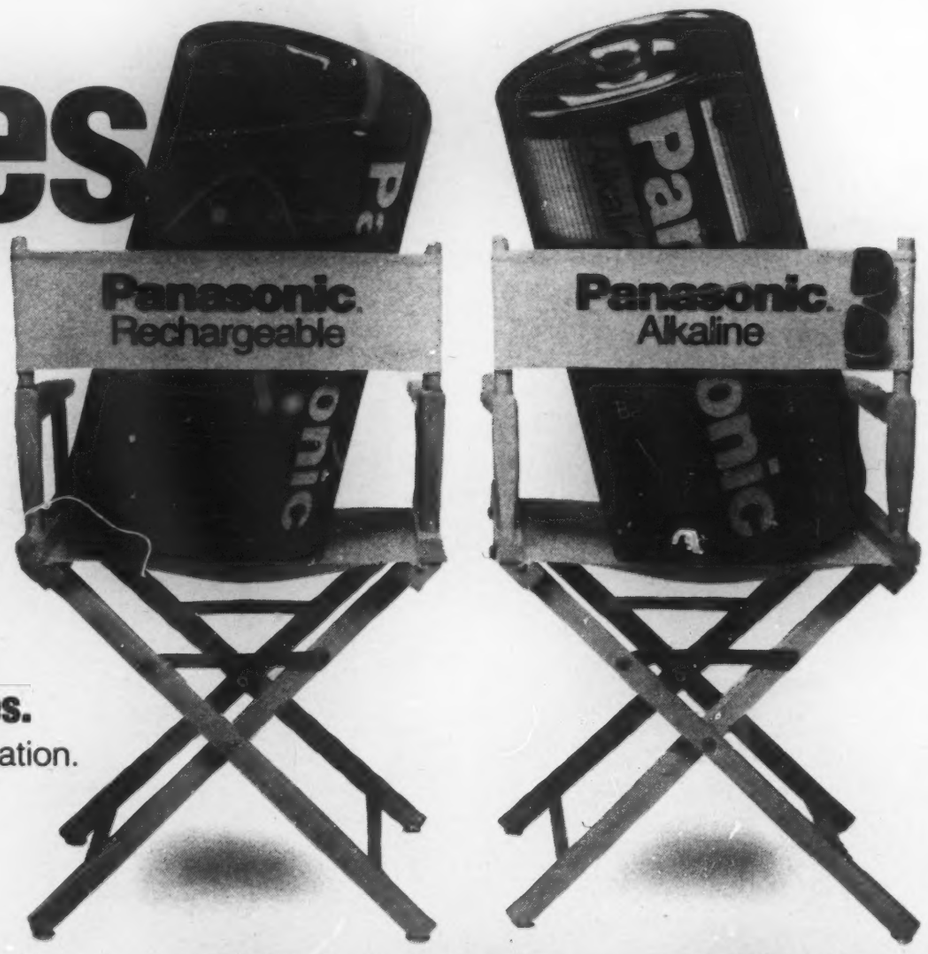

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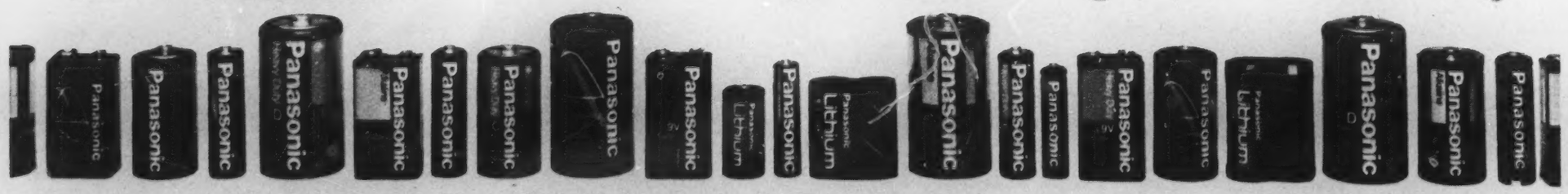

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BEAUTY TRENDS

New launches, old favorites team up for Xmas boost

Buyers gear up ad campaigns, chains ready diplays for Christmas push

Drug chain fragrance buyers are hoping for a strong Christmas this year as a slew of exciting new products find their way into the market.

Many also think that some of last's year best new launches, such as Ex Cla Ma Tion! and Hero, will perform better this year because they've built a loyal following.

In late summer at press time, buyers reported fragrance sales were stagnant or up moderately, without much more category growth anticipated until after Halloween when Christmas displays start going up and ads for Electric Youth, Aspen, That Man and California launches start to break.

Most chains cut back their off-shelf displays for fragrances right after Mother's Day and Father's Day, and most stores usually don't do much promotionally with the catagory until back-to-school. But the big push, of course, happens at Thanskgiving/ Christmas.

Report card on new launches

Buyers, forecasting the hottest launches in women's fragrances this year, cited Dare and Jacyln Smith's California. Both brands are positioned toward the upper end of mass and were initially launched in department stores: Dare at JC Penney and California at Bloomingdale's.

Dare has been in mass stores since early spring and its sales have been fairly strong. Sources for chains like Eckerd, Genovese, Peoples, and Walgreens say Dare has been selling well and they add that the brand is attracting repurchases as well as trial sales.

California is shipping in now, and most buyers are very excited about its prospects. One West Coast executive said he expects its sales will be huge. He called it "the most complete launch I've ever seen" and said Max Factor has done everything right with the line.

The buyer for a Southeast chain said California has everything going for it like "the name recognition with Jaclyn Smith and her broad popular appeal. If they support it as they say, it should be very strong," she said.

Revlon's new teen fragrance Electric Youth was just getting into the stores at press time, but buyers' expectations ranged from mildly optimistic to very positive.

At Arbor Drug in Michigan senior cosmetics buyer David Van Howe said he thinks Electric Youth will do very well. He called the teen market viable, and noted that Night Rhythms, another teen fragrance launched earlier this year, is already selling well. Indeed, most buyers said Night Rhythms is doing well.

But some buyers still worry about the fickleness of the teen market, and they are cautious about brands that are marketed to this segment.

The Bic Parfums line, launched earlier this year, is still getting off the ground. Eic Parfums were expected to appeal particularly to teens, but consumers probably find it hard to think of Bic as a perfume company. "It is the brand's image, not its positioning that's important here," said one source.

Men's fragrances

In men's fragrances, two prestige fragrances launching this fall—Aspen and That Man—are attractively packaged, have nice scents, and appear as if they will be well supported by advertising, buyers said.

Some sources think That Man is priced too high to do dramatically well in drug

Continued on page 12

Many chains are teaching their cosmeticians to recommend "layering" on a fragrance. By selling the idea of "layering" chains can generate multiple sales of body lotions, talcs, and scented bath and shower products.

Drug stores with an upscale image often use fragrances as part of their decor package. This fragrance beauty bar gives a department store look to this Peoples drug store in Alexandria, Va.

Comparison of men's fragrance sales by type of retail outlet

	Sales* (millions of $)	Percentage change	Market share
Drug	$385.2	8.1%	60.7%
Mass merchandisers	139.7	14.5	22.0
Food	109.9	15.8	17.3

*For the 12 month period ended in April 1989.
Source: Nielsen Marketing Research

Comparison of women's fragrance sales by type of retail outlet

	Sales* (millions of $)	Percentage change	Market share
Drug	$640.0	3.9%	88.7%
Mass merchandisers	81.6	(5.7)	11.3

*For the 12 month period ended in April 1989.
** Nielsen does not track women's fragrance sales through food outlets
Source: Nielsen Marketing Research

Comparison of fragrance sales by type of retail outlet

	Sales* (millions of $)	Percentage change	Market share
Drug	$1,025	5.5%	75.6%
Mass merchandisers	221.6	6.1	16.3
Food	109.9	15.8	8.1

*For the 12-month period ended April 1989.
Source: Nielsen Marketing Research

BEAUTY TRENDS | Fragrance Merchandising

Fragrances set for year-round aggressive marketing strategy

Drug chains are merchandising fragrances more aggressively this year, by advertising more and assuring that off-shelf displays are maintained on an ongoing basis, especially when timed to coincide with an ad or promotional event.

Buyers for major chains said that as they upgrade and reposition as cosmetic specialists, they want to be more aggressive with fragrances on a year-round basis.

At press time, several chain merchants interviewed were assembling their first fragrance program for back-to-school ads. Many said they will be bolder at the minor holidays of Mother's Day and Father's Day. "We know we'll never do as much business as we can at Christmas, but we think we can do much better year round with this category then we have," said one source for a Northeastern chain.

In New York, Stephanie Hayter of Genovese Drug Stores said, "You have to use your advertising and your available display space (year round) to let people know you are committed to this category," she says.

Other chains that are either advertising fragrances more often or planning to do it more often are K & B in New Orleans, Eckerd in Florida, Bartell in Seattle, Peoples in Virginia, Longs and American Drug in Calif., and Perry and Arbor Drug in Detroit.

To maximize ad productivity, drug chains are also trying to strengthen merchandising programs. An ad's effectiveness can be neutralized if individual stores aren't able to follow through with creative displays. One of a fragrance buyer's biggest nightmares is that at a peak selling season like Christmas, some of the strongest brands may not be given deserved display space.

This year, more chains are using either videos or supervisors to help store personnel understand the importance of getting displays up early and attractively.

At Arbor Drug, senior cosmetics-fragrances buyer David Van Howe said the chain has always depended on its cosmetics supervisors to ensure that all featured brands are out on the floor and well merchandised.

Double-digit growth

Van Howe has been able to get double digit growth from fragrances at Christmas by featuring 20 to 30 of the best known mass brands, an assortment of the most attractively packaged alternative designer brands, and maybe another dozen or 20 prestige or designer scents.

He said the cosmetic supervisors are his best way of controlling how well stores merchandise fragrances, or any other product in his department. The supervisors, who each handle between 20 and 30 stores, help the head cosmeticians in each store set up the displays. "The supervisors and I will go over what we're going to order in advance of Christmas. When stock is delivered, they'll go to the stores and help set the displays. They also train the cosmeticians to make customer recommendations."

Today, most major chains are starting or expanding a cosmetics supervisor program, and augmenting that with videos. Those chains, including Genovese, American Drug and Eckerd, are working with manufacturers to create 10 minute to 20 minute videos that describe products to be featured in upcoming promotions, and contain suggestions for building and theming displays.

It appears as if most chains won't have such a program in place until early next year, but once buyers have worked out details, videos will be mailed out regularly, perhaps once a quarter. For one, Genovese's Hayter said videos could prove to be a very "cost effective" way to train in-store cosmeticians and department clerks.

New launches, old favorites may give life to holiday sales

Continued from page 11

chains; others feel the brand will need broadcast ads as well as print to support it.

Aspen is more moderately priced, has a pleasing scent and package. It will have some electronic support, and some buyers think it will be able to outperform That Man at mass.

Many buyers think Hero will do well again this year. Chains that promoted it at Father's Day said it sold well.

Old timers like Stetson, Chaps, Jovan Musk For Men and Old Spice were all expected to do well this Christmas. Sales have been consistent throughout the year, most buyers said.

Some sources report that Sante Fe has matured into a consistently strong seller and that Adidas sales have picked up.

Among the established women's brands, Vanderbilt and Lady Stetson are continuing to sell very well, and are expected to do the same at Christmas. Sand & Sable, Charlie Oriental, Jovan Musk For Women and Xia Xiang have done well so far this year, although Sand & Sable is strongest in the Southeast. Some buyers say Emeraude, Toujours Moi and Ciara have been better this year than they have in the past.

The alternative designer category is still flat, yet many buyers say they will promote select lines or brands this Christmas.

Buyers say the lower-priced, higher-quality alternative designer fragrances (ADFs) make good stocking stuffers, they appeal to the price-conscious shopper and they sell well to young kids who are looking for presents for their parents.

The most frequently advertised women's fragrances for Mother's Day 1989

(Percentage of total print ad space for fragrances)

Le Jardin (Max Factor, Revlon)	5.8%
Ex Cla Ma Tion (Coty)	4.7
Lady Stetson (Coty)	4.7
Charlie (Revlon)	3.6
Vanderbilt (Cosmair)	3.3
Jovan Musk (Quintessence)	2.9
Primo (Parfums de Coeur)	2.9
Chantilly (Houbigant)	2.9
Jontue (Revlon)	2.9
Enjoli (Charles of The Ritz, Revlon)	2.6
Wind Song (Prince Matchabelli)	2.2
Friday (Bonne Bell)	2.0
Aviance (Prince Matchabelli)	1.8
Giorgio (Giorgio of Beverly Hills)	1.7
Almay Fragrance (Almay, Revlon)	1.6
Forever Krystle (Charles of The Ritz, Revlon)	1.3
Xia Xiang (Charles of The Ritz, Revlon)	1.3
Sand & Sable (Coty)	1.3
Obsession (Calvin Klein)	1.1
Dare (Quintessence)	1.1

Source: Vereen & Associates

The most frequently advertised men's fragrances for Father's Day 1989

(Percentage of total print ad space for fragrances)

Old Spice (Shulton)	9.7%
Stetson (Coty)	9.0
Mennen Skin Bracer (Mennen)	8.2
Brut 33 (Fabergé)	5.8
Hero (Prince Matchabelli)	5.5
Chaps (Cosmair)	5.5
Iron (Coty)	5.2
English Leather (MEM)	4.5
Coty Musk (Coty)	4.2
Jovan Musk (Quintessence)	3.6
Sante Fe (Shulton)	3.0

Source: Vereen & Associates

This year, more chains are using either videos or supervisors to help store personnel understand the importance of getting displays up early and attractively.

Drug chains' Mother's Day fragrance promotion prices

Product	Size	Ad price	Chain
Le Jardin (Max Factor, Revlon)	1 oz.	$ 9.99	Longs
Le Jardin (Max Factor, Revlon)	1 oz.	6.99	Drug Emporium
Ex Cla Ma Tion (Coty)	1.25 oz.	7.77	Fay's Osco Pay 'n Save
Ex Cla Ma Tion (Coty)	1.25 oz.	6.99	Texas Drug Medic Peoples
Lady Stetson (Coty)	1.5 oz.	7.99	Pay 'n Save Longs Sav-on
Lady Stetson (Coty)	1.5 oz.	6.99	Drug Mart
Charlie (Revlon)	1.15 oz. 2.0 oz.	9.99 9.99	Osco Drug Emporium
Vanderbilt (Cosmair)	0.5 oz.	11.00 12.50	Fay's Brooks
Jovan Musk (Quintessence)	2 oz.	5.77 6.99 7.99	Osco Eckerd Peoples
Primo (Parfums de Coeur)	1 oz.	5.99 5.99	Osco Sav-on

Source: Vereen & Associates, June, 1989 Retail Ad Activity Service

Drug chains' advertised prices for Father's Day fragrances

Product	Size	Ad price	Chain
Old Spice (Shulton)	4.25 oz.	$2.99 3.29	Fantles Drug Mart Taylor
Stetson (Coty)	3.5 oz. 2.5 oz. 2.5 oz.	7.97 3.99 4.47	Fay's Longs Sav-on
Mennen Skin Bracer (Mennen)	3.5 oz.	2.00 1.69 1.69	Osco Drug Mart Rite Aid
Brut 33 (Fabergé)	7 oz. 8.5 oz.	1.79 1.89	Walgreens Osco Sav-on
Hero (Prince Matchabelli)	1.7 oz.	5.99 7.99	SupeRx Longs
Chaps (Cosmair)	1.8 oz.	9.99 8.99	Thrifty Peoples Thrift
Iron (Coty)	2.4 oz.	6.99 7.99	Walgreens Pay 'n Save
English Leather (MEM)	8.0 oz.	4.99 5.99 6.88	Thrifty Pay 'n Save Pay Less

Source: Vereen & Associates

FINANCIAL

McK reports record 1st-quarter revenues, flat income

SAN FRANCISCO — McKesson Corp. announced record revenues for the first quarter ended June 30, but income from continuing operations was flat, which came as no surprise to the company.

"Because of the strong quarter a year ago, we anticipated that the first quarter of the current year would be the most difficult," explained Thomas W. Field Jr., chairman, president and ceo. "Actually, we did a little better than we anticipated, and the outlook for the balance of the year is in line with our long-term objective of increasing earnings per share by 10 percent to 12 percent a year."

Income from continuing operations was $24 million for both the current quarter and the period last year.

First-quarter revenues increased 10 percent to $1.82 billion, from $1.65 billion.

Strong performance in drug distribution and improvement in service merchandising were main contributors to the quarter's record revenues. McKesson Drug Co. first-quarter sales rose 11 percent, to $1.5 billion, and operating profit gained 10 percent, to $34.2 million.

McKesson's two majority-owned publicly traded subsidiaries, PCS and Armor All Products, reported lower first-quarter profits.

PCS [*see related story, page 1*] reported first-quarter revenues of $23.2 million, a 6-percent gain over the $21.9 million for the period last year, but operating profit plunged 64 percent, to $1.9 million from $5.2 million. The nation's largest manager of prescription benefit programs "continues to be affected by unsettled conditions in the health insurance underwriting business, resulting from rapidly escalating health costs," according to McKesson. In addition, PCS is making significant expenditures to implement its new Recap on-line electronic claims processing system, to prepare to bid for a contract to process prescription claims for the new Medicare Catastrophic Care program, and to expand a database designed to track prescription movement.

The number of PCS cardholders was 8.1 million at the end of the quarter, down from 8.2 million at the end of March. In the year-ago period, there were 7.8 million cardholders. During the quarter, PCS processed 22.9 million claims, down from 24 million in the previous three-month period and up from the 22 million processed in the period last year.

Smith's IPO raises $106M; funds to fuel expansion

SALT LAKE CITY — Smith's Food and Drug, the 93-store combo and supermarket chain, raised approximately $106 million in an initial public stock offering last month, Bob Bolinder, executive vp, told *Drug Store News*.

The stock price at press time closed at $23.63, substantially higher than the $15 to $18 initial public offering price per share that the prospectus, underwritten by Goldman, Sachs & Co., indicated.

Net proceeds will be used to develop, construct and open 13 new food and drug combination stores in 1989 and remodel existing stores. In addition, the company plans to enter the Phoenix market in November 1989, and eventually expand its presence in this area to eight stores by the end of fiscal 1990.

These new combo stores will reach 80,000 square feet, Bolinder said, as "these markets can handle bigger stores with a variety of specialty departments." He also said the Phoenix stores will average 80,000 square feet, a little larger than the 72,000 square feet originally planned. "The extra space will give us a little more room in the aisles," he said. The Phoenix stores will be serviced by Fleming Foods, an outside wholesaler.

Smith's currently operates 93 stores in Utah, New Mexico, Nevada, Idaho, Arizona, Wyoming, Texas and Colorado, which are serviced by 1,015,000 square feet of central distribution facilities in Salt Lake City and Layton, Utah.

The company's existing combination stores range in size from 45,000 to 72,000 square feet. Smith's continued emphasis on building larger combination food and drug units resulted in a 21.8-percent increase in revenues over the last four fiscal years.

The company also operates superstores, large supermarkets with limited specialty departments, and conventional stores, more like traditional supermarkets. However, these two store formats are being downsized by the company as it remodels or consolidates them to more closely resemble the combo stores.

A typical Smith's combo store carries over 40,000 items, and offers a variety of supermarket, general merchandise, drugs, toys, hardware, giftware and small appliance products. Specialty departments in these stores include pharmacies, video rental departments, and camera and photo departments with overnight film processing.

The stores operate 88 pharmacy departments, averaging 700 square feet (not including the OTC section in front of the pharmacy), and rely on computerized pharmacy data banks. Smith's competes with Albertson's, American Stores, Fry's (a division of Kroger's), Furr's, and Von's in both the food and drug store business.

Jonathan Ziegler, an analyst at Sutro & Co. in San Francisco, said, "They are an interesting company. They have a proven track record, and in an environment where there are a limited number of supermarkets due to LBOs, it's well managed. Owning their own real estate is a plus for them."

The company currently owns 64 of its 91 stores, including underlying land in most cases.

Name	Symbol	STOCK PRICE From 07/14/89 - 07/31/89 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct.	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	72.50	63.63	70.00	6.13	9.59	72.50	48.63	2.54	-1.54 q	-38.9	28.9	1.00	1.4
Arbor Drugs	ARBR	23.75	19.50	23.00	3.00	15.00	23.75	8.00	.70	.20 n	29.4	26.1	.16	.7
Big B	BIGB	13.50	12.75	12.88	-.50	-3.74	15.38	10.75	.91	-.22 q	-20.8	15.3	.16	1.2
Fay's Inc	FAY	13.13	12.00	13.00	.88	7.22	13.25	7.28	.66	.29 q	70.7	18.6	.20	1.5
Genovese Drug	GDX	11.75	10.75	11.50	.50	4.55	12.88	8.75	.83	.17 q	25.8	13.9	.24	2.1
Longs Drg Strs	LDG	43.13	41.13	42.88	-.25	-.58	43.88	33.63	2.75	.35 q	14.2	15.3	.96	2.2
Medicare Glaser	MGCO	5.75	5.75	5.75	.00	.00	5.88	2.25	-.10	-.23 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	31.00	28.25	31.00	2.75	9.73	31.75	20.75	1.11	.27 n	26.0	23.7	.10	.3
Perry Drug	PDS	11.75	11.13	11.50	-.25	-2.13	13.50	5.25	-3.15	.20 s	NE	NE	.00	.0
Rite Aid Corp	RAD	40.50	37.00	39.63	2.63	7.09	40.50	29.13	2.30	-.02 q	-.9	17.1	.82	2.1
Walgreen Co	WAG	50.25	45.00	49.50	4.00	8.79	50.25	27.13	2.10	.48 n	24.0	20.0	.68	1.4
Wholesaler's transactions														
Alco Health Svcs	AAHS	25.00	24.50	25.00	.75	3.09	30.25	22.75	1.55	-.11 q	-7.4	18.1	.06	.2
Bergen Bruns	BBCA	31.13	29.38	30.38	.25	.83	31.13	18.75	1.78	.72 n	45.9	13.3	.32	1.1
Bindley Wstn	BIND	9.38	8.50	9.00	.38	4.35	9.38	6.63	.58	.22 q	68.8	16.7	.00	.0
Cardinal Distrb	CDIC	26.00	23.50	25.50	2.00	8.51	26.00	15.69	1.58	.28 q	21.2	15.9	.08	.3
Durr Fillauer	DUFM	22.25	21.13	21.13	-.88	-3.98	23.13	13.25	.92	1.26 s	293.0	12.5	.24	1.1
Ketchum	KCH	6.38	5.38	5.38	-.88	-14.00	9.50	4.75	-4.73	-1.44 q	NE	NE	.00	.0
McKesson Cp	MCK	36.88	34.75	36.63	.75	2.09	36.88	29.63	2.28	.05 f	2.2	16.1	1.44	3.9
Moore Med	MMD	14.25	12.88	13.50	.50	3.85	15.63	9.00	-2.17	-4.00 q	-100.0	NE	.00	.0
Owens Minor	OMI	12.75	12.13	12.63	.13	1.00	15.88	11.38	1.00	-.35 s	-35.7	20.0	.26	2.1
Manufacturer's transactions														
Abbott Labs	ABT	65.75	61.25	65.75	4.50	7.35	65.75	43.75	3.33	.52 s	17.0	18.4	1.40	2.1
Am Home Prod	AHP	103.00	95.00	103.00	7.00	7.29	103.00	74.25	6.38	.64 s	10.6	15.4	3.90	3.8
Baxter Intl	BAX	23.38	20.75	23.13	2.00	9.47	23.38	16.25	1.31	.15 q	12.6	17.3	.56	2.4
Block Drugs Co	BLOCA	35.50	34.75	35.50	.38	1.07	36.00	28.25	2.55	.26 f	11.4	13.9	.64	1.8
Bolar Pharm	BLR	30.50	26.63	27.88	.88	3.24	32.25	16.38	1.51	.45 q	41.3	18.1	.04	.1
Bristol-Myers	BMY	52.13	47.88	48.25	-1.50	-3.02	52.13	40.75	2.88	.38 q	14.7	16.2	2.00	4.1
Carter-Wallace	CAR	53.00	46.13	52.88	6.25	13.40	53.00	36.25	2.97	.42 q	15.7	17.1	.82	1.6
Forest Labs	FRX	36.00	30.63	35.25	4.38	14.17	36.00	19.25	1.20	.24 f	25.0	29.4	.00	.0
ICN Pharm	ICN	6.88	6.13	6.38	-.13	-1.92	7.38	5.63	.23	1.54 s	NE	70.8	.00	.0
Lee Pharm	LPH	3.50	3.00	3.13	-.38	-10.71	5.50	3.00	-.23	.49 s	NE	NE	.00	.0
Leiner P Nutri	PLI	20.38	19.25	20.13	.88	4.55	20.88	9.13	1.12	.26 f	30.2	18.0	.00	.0
Lilly Eli Co	LLY	64.25	57.75	63.75	5.75	9.91	64.25	40.25	2.67	.51 s	20.8	21.5	1.35	2.1
Marion Labs	MKC	36.00	25.13	35.88	10.63	42.08	36.00	16.38	1.46	.50 f	52.1	24.6	.36	1.0
Merck & Co	MRK	77.88	71.50	76.00	4.13	5.74	77.88	53.50	3.05	.77 s	29.1	22.2	1.80	2.4
Mylan Labs	MYL	10.38	9.38	9.50	-.63	-6.17	11.50	7.50	.50	-.29 q	-40.3	22.1	.10	1.1
Newport Pharm	NWPH	3.94	3.44	3.44	-.56	-14.06	6.56	1.75	-.45	-.34 s	NC	NE	.00	.0
Par Pharm	PRX	10.38	7.00	7.50	-2.00	-21.05	13.00	7.00	.99	-.21 s	-18.9	8.3	.04	.5
Pfizer Inc	PFE	65.38	58.25	65.00	6.25	10.64	65.38	49.88	4.70	.56 q	13.1	13.5	2.20	3.4
Robins, AH	QRAH	33.25	30.00	33.13	3.25	10.88	33.25	21.88	2.42	67.78 q	NE	13.1	.00	.0
Rorer Group	ROR	42.00	37.00	41.88	4.75	12.79	48.25	33.63	1.96	-.55 q	-21.6	20.9	.80	1.9
Scherer RP Cp	SCHC	15.75	14.75	15.75	.25	1.61	33.38	14.75	.76	-.28 f	-26.9	20.7	.40	2.5
Scher Plough	SGP	77.75	67.25	76.75	8.75	12.87	77.75	49.50	3.48	.75 s	24.1	19.9	1.80	2.3
Squibb Corp	SQB	114.00	79.13	110.38	30.75	38.62	114.00	60.00	4.30	.80 s	20.5	23.5	2.00	1.8
Syntex Corp	SYN	51.13	46.00	50.75	2.75	5.73	54.50	35.00	2.51	.37 n	15.4	18.3	1.50	3.0
Thiokol Inc	TKC	13.75	12.38	12.88	-.38	-2.83	14.88	12.38	3.33	2.48 n	NC	5.2	.00	.0
Upjohn Co	UPJ	36.00	30.13	36.00	5.38	17.55	36.00	27.00	1.90	.23 s	13.1	18.1	.88	2.4
Warner-Lambrt	WLA	110.75	96.50	110.25	12.38	12.64	110.75	68.13	5.00	1.00 s	21.8	19.8	2.56	2.3
Zenith Labs	ZEN	1.25	1.13	1.13	-.13	-10.00	2.75	1.13	-.89	-.33 f	NE	NE	.00	.0
Other Retailer transactions														
Albertson's Inc	ABS	52.50	48.25	52.50	2.50	5.00	52.50	30.00	2.44	.60 q	30.5	20.4	.80	1.5
K mart Cp	KM	42.00	37.25	42.00	4.25	11.26	42.00	31.25	4.00	.44 q	12.8	10.9	1.64	3.9
Melville Cp	MES	47.25	45.63	47.13	.50	1.07	47.25	33.13	1.63	-1.08 s	-39.6	28.6	1.30	2.8
Penney, JC	JCP	60.75	57.13	60.38	1.38	2.33	60.75	44.88	6.02	1.87 q	45.0	10.0	2.24	3.7

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

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Vol. 11/No. 17 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Sept. 11, 1989

Phar-Mor in Motown

By James Frederick

MONROE, Mich. — Phar-Mor Inc., the nation's fastest-growing and most aggressive deep-discount drug chain, is building its first Michigan store here and is gearing up for a probable thrust into the nearby Detroit market next year. The move will put the chain into direct competition with Perry Drug Stores, Arbor Drugs, F&M, and a host of smaller chains and independents in the nation's fourth-largest drug store market.

Phar-Mor spokesperson Carol Robinson confirmed Aug. 30 that the 133-store off-price chain is building a 48,000-square-foot store in Monroe, a city of about 140,000 which lies midway along the short, well-traveled I-75 corridor between Detroit and Toledo, Ohio. The store will open next spring, she said.

'The size of the market dictates that there would probably be 10 or more stores in the Detroit area.'

Local sources reported that the store is being built in Frenchtown Square, an enclosed mall.

Robinson also confirmed reports that Phar-Mor is mulling a major push into metro Detroit itself in the near future.

"We're actively looking at other locations there and talking to developers, although we haven't signed any other leases yet," she said. "If we do move into Detroit, we would want to open enough stores to justify our presence there.

"The size of the market dictates that there would probably be 10 or more stores in the Detroit area."

Robinson added that Detroit "is part of our natural expansion strategy in the Midwest, and fits into that strategy as a major market opportunity."

If Phar-Mor does make a full-scale

See **Phar-Mor,** *page 133*

TOP OF WEEK FEATURES

Triple-A report: year's top items

Drug Store News reports on the 150 fastest-selling products in both H&BAs and general merchandise. Page 31.

Generics: Don't rush to judgement

In wake of the generics scandal, Washington correspondent Ken Rankin echoes a warning against impugning the integrity of the generics industry as a whole. Page 7.

50 years of caring
Thayer

Thayer celebrates a joyful 50th

In the summer of 1939 pharmacist Sam Ross opened his first store in the town of Braintree, Mass., and called it Thayer Pharmacy. This summer, Thayer, now 32 stores, is celebrating its golden anniversary with a whirlwind of activities. Page 10.

LATE NEWS

- ALEXANDRIA, Va. — Phase one of NACDS' Third-party Impact Study revealed that it costs pharmacists $1.12 more to dispense a third-party than a private-pay ($6.72 vs. $5.60, exclusive of acquisition costs).

- PONTIAC, Mich. — Perry Drug Stores' recovery continued in the third quarter ended July 31. The chain had net income of $848,000 on sales of $163.9 million, compared to a year-earlier loss of $14 million on sales of $166.2 million. For the nine months, Perry's net income on continuing operations was $5.8 million compared to a loss of $12.1 million for the same period last year.

SuperRx Express targets service, guaranteed low prescription prices

By Harold Cohen, R.Ph.

PHOENIX — You might say that SupeRx Drug Stores has gone "back to the future" with the opening of its first SupeRx Express store.

The 1,600-square-foot store, which bears a strong resemblance to the independent drug store of yesteryear with its small size and emphasis on customer service, also has a strong marketing plan in place to cater to the shoppers of the future. The plan includes a guarantee that the store offers the lowest prescription prices in town.

The new Express store is essentially a scaled-down version of the chain's larger units, with some important merchandising and marketing differences. Outside of a few pegged hair care products, there are no "beauty aids" like cosmetics or fragrances.

SupeRx Corp. says it will open 10 to 14 of its new 1400- to 2200-square-foot SupeRx Express stores in the next two years.

Also missing are most of the general merchandise categories found in SupeRx's larger stores, with the exception of film, batteries, greeting cards and a smattering of stationery supplies that complement an in-store U.S. post office.

Instead, the store's shelves feature a good, though limited selection of "ethical OTCs" including vitamins, cough and cold, analgesics, antacids, eye and lens care, and baby care. Packed into the limited space are even 60 feet of home health care products and durable medical equipment that includes a hospital bed.

See **SupeRx,** *page 133*

Eckerd to buy Hilley's; remodels Atlanta stores

CLEARWATER, Fla. — Jack Eckerd has signed an agreement to acquire the seven-store Hilley's drug chain in Texas for an undisclosed amount.

The Hilley's stores, with an average estimated volume of $2 million-plus—40 percent in pharmacy—and an average size of 10,000 square feet, mesh neatly with the typical Eckerd store profile.

The newly acquired stores are part of Eckerd's Dallas district. Four of them, in Burleson, Cedar Hill, Everman and Midlothian, Texas, are part of the greater Dallas-Fort Worth market, where Eckerd is the market leader with 117 stores and a 27-percent share of sales, according to Metro Market Studies. The remaining three are in smaller outposts—Mineral Wells, Whitesboro and Paris, Texas—as much as 100 miles from Eckerd's distribution center in Garland, Texas.

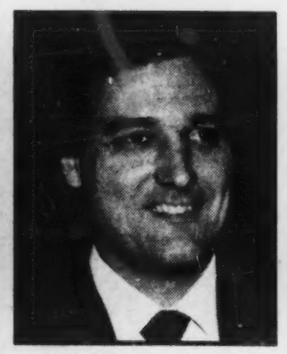
"We're not going to do much with these stores right away," a company spokesperson said, "not with the Christmas season almost upon us." He did say the stores are performing well, and Eckerd is in the process of putting up new signage and stocking shelves with its products. "We won't be making any remodeling changes until next year," he said.

The move comes on the heels of Eckerd's conversion of 16 Dunaway stores in the Atlanta market acquired in June.

"We've closed four of the [former Dunaway] stores and remodeled the rest, and now they are all part of our Spartan

See **Eckerd,** *page 133*

Phil Weinstein



Bill Baxley

Pat Triboletti

Affiliated/Associated's '89 fall show is S.R.O.

NEW YORK — Chain drug buyers and merchandisers were spending a busy weekend in New York City where 130 exhibitors—"a sell-out crowd"—were presenting their wares to executives from over 70 member drug chains at the Affiliated/Associated fall buying show Sept. 8-10.

"The weekend format was preferred by our members," Phil Weinstein, president of the buying group, told *Drug Store News*. "We would have started this format for last spring's buying show, but we couldn't get hotel availabilty then." He said future shows will adhere to the Friday through Monday weekend format.

The show, at the Sheraton Centre Hotel in New York City, is a chance for merchants to review H&BAs, cosmetics and general merchandise products to see what post-Christmas merchandise vendors have

See **Affiliated,** *page 133*

NEWS IN BRIEF

Jewel-Osco of Florida expanding

CLEARWATER, Fla. — The new Jewel-Osco of Florida division of American Stores opened its second unit here in early August, and is gearing up for additional store openings in November and January of 1990.

The Aug. 3 opening came five months after American Stores reentered the Florida market with its first Jewel-Osco combo store. That 75,000-square-foot store has been averaging over 40,000 customers a week since its grand opening, according to American Stores president and chief operations officer Alan Stewart.

All four of the units slated to be open by early next year will be in the Tampa/Clearwater area.

The rapid early expansion schedule heralds what is sure to be an aggressive return by the giant retailer to Florida, which it abandoned some two decades ago with the dissolution of the old Skaggs/Albertson's combination store partnership.

Meyers to head Harris Wholesale

SOLON, Ohio — Donald R. Meyers has been named president of Harris Wholesale Co., replacing Seth B. Harris, who has been moved up to chief executive officer of Harris Wholesale and vice chairman of R.A.B Holdings, Harris' parent company.

Meyers

Meyers began his career with the wholesaler in 1977 as vp-operations. In 1983, he was promoted to executive vp-operations and assumed additional responsibilties as chief operations officer in 1985.

"I'm confident that, under Don's leadership, Harris Wholesale will continue to grow and prosper," said R.A.B.'s chairman, Richard A. Bernstein. "I am also excited about working with Seth on a daily basis and am even more confident of our future knowing Seth will be involved in all of our activities, setting our strategies and guiding out future."

Harris, the nation's sixth largest wholesaler, was acquired in January by R.A.B. Holdings, Inc., New York. R.A.B.

Begley consultant to eyewear co.

DALLAS — Bob Begley, former chairman of Begley Co., the Kentucky-based drug chain that Rite Aid acquired last year, is chain drug consultant to a new eyewear company called Strategic Eyewear Programs.

S.E.P., whose president is James Revill, is a vertically integrated international supplier of sunglasses, reading glasses and optical products with offices and showrooms here and in New York, Taipei and Hong Kong, according to Bradley T. MacDonald, a principal and vice-chairman of S.E.P.

Boulton joins Taylor Drug as exec vp

LOUISVILLE, Ky. — William H. Harrison Jr., chairman of the board of Taylor Drug Stores, announced that Samuel R. Boulton had joined the 56-store drug chain as executive vp.

Boulton

Boulton was previously with Perry Drug Stores for 18 years as group vp and most recently was with M&R Pharmacy as store management/retail consultant.

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Rite Aid and Grass plead not guilty to bribe charge

COLUMBUS, Ohio — Rite Aid Corp. and its president, Martin Grass, pleaded not guilty Aug. 18 to bribery charges, which Rite Aid has characterized as a "bizarre" attempt by Ohio pharmacy regulators to embarrass Grass and the chain.

A pretrial hearing is set for Sept. 13, according to a Cuyahoga County Court clerk.

Assistant Cuyahoga County prosecutor William Caine had obtained grand jury indictments on the charges April 28, the day after Grass was arrested for allegedly bribing a former Peoples Drug employee to resign from the Ohio State Pharmacy Board, local newspapers have reported.

Caine kept the indictments sealed, but then made them public Aug. 1 under circumstances that have remained unclear. Upon their unsealing, Rite Aid lawyers petitioned to have the processing of the indictments blocked on the grounds that the assistant prosecutor, by opening them, violated a still-standing June 14 gag order issued by Judge Lillian Greene.

Local papers have reported the gag order does not address the issue of indictments, but rather was meant to prohibit parties from commenting on the case.

Greene nevertheless issued a temporary restraining order on the indictments. Part of the reason was to clarify if she had jurisdiction in the case, since a second judge had presided over the grand jury that had returned the indictments.

The restraining order was subsequently lifted, clearing the way for the Aug. 18 arraignment.

Meanwhile, a Cuyahoga County Sheriff's Office spokesman said that it is continuing a probe of alleged efforts to tamper with the pharmacy board membership.

Rite Aid has said that the bribery charge is false and stems from a long-standing "vendetta" the pharmacy board has against the chain. The board, Rite Aid argues, has unfairly enforced pharmacy rules against Rite Aid stores, including the former Lane Drug stores purchased this year from Peoples.

State board officials, including board executive director Frank Wickham and board compliance administrator Timothy Benedict, have been quoted as saying the board hasn't harrassed the company.

Still pending is a motion by Rite Aid to oust Caine. Rite Aid lawyers have charged that the prosecutor made "erroneous and prejudicial public comments to the news media" after Grass's arrest.

GENERATIONS OF SERVICE

American Red Cross

Red Cross coupon promo hails role of chain in the community

WASHINGTON — Drug chains will have a chance to enhance their image in the community and at the same time heighten their profiles as coupon redemption centers through participation in the American Red Cross "Generations of Service" nationwide promotion.

Set for March 1990, the cause-related promotion has the dual aims of saluting drug store and supermarket retailers' contributions to their communities "through the generations" and raising $1 million for Red Cross disaster relief.

The monthlong promotion, including a freestanding insert (FSI) drop scheduled for March 11, is tied to Red Cross Month, which is celebrated annually by the organization's 2,800 local chapters. "Generations of Service" represents the Red Cross' largest corporate-tied fundraising and marketing effort in recent years.

"Our original idea was to approach major supermarket chains with a program to recognize supermarkets' contribution to their communities over the years," said Stephen M. Delfin, development officer at the American Red Cross national headquarters here. "Then we got a call from Steve Perlowski of NACDS, suggesting it would make sense for drug chains to get involved, too." The Red Cross embraced the idea enthusiastically, Delfin said.

"The Red Cross tie-in will be image-enhancing and a tremendous way to tell American consumers that drug stores want their business—and their coupons," said Perlowski, NACDS director of trade programs.

At press time, four major product manufacturers have signed on for the FSI, which will appear in Sunday newspapers and reach an estimated 51 million American households nationwide. They include: Helene Curtis (Suave shampoo and conditioner and Suave hand lotion and hair spray); Curad (adhesive bandages); Tambrands (feminine protection); and Pampers (disposable diapers).

Each participating manufacturer will make a minimum contribution of $150,000, Delfin said, adding that in excess of $600,000 has already been committed toward the $1 million goal, with additional manufacturers expected to get involved. "Retailers aren't being asked to donate, although they may think of ways to raise donations, too," Delfin said.

Interested chains

Some half-dozen drug chains, including Walgreens, Thrifty, Hook-SupeRx, Osco, Sav-on and Longs, have expressed strong interest in participating, although no formal commitments have been made yet, Delfin said. Other drug chains that responded favorably to a Red Cross mailing are Eckerd, Peoples, Fantle's and Brooks, he added, noting that the organization is targeting the 100 top drug chains for participation.

About 20 to 25 of the top 50 supermarket chains have made solid or verbal commitments, he said. Among those expected to participate are Giant Food, A&P, Ralph's, Delchamps, Bruno's, Dominick's, Giant Eagle and Food Lion.

The promotion will drive home five areas in which manufacturers and retailers have benefitted consumers over the years: greater variety of products and sizes, lower cost of food and health and beauty aids as a percentage of family income, emphasis on nutritious foods and advances in pharmaceutical remedies, shopping convenience, and community service.

The FSI will offer coupons, refunds and premiums and be themed to "Generations of Service" and the American Red Cross. Examples—vignettes, really—of how specific retailers have helped their communities through the Red Cross may also be incorporated in the insert.

Local Red Cross chapters and some 1.4 million volunteers will work with retailers to build ads, in-store banners and signage, displays and special events around the "Generations of Service" theme, perhaps featuring their own service vignettes. Retailers will also be asked to support all the participating products through advertising and in-store displays.

OPINION

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Have we got news for you!

I generally don't use this space to promote upcoming features in *Drug Store News*. But I'm excited about a particularly strong lineup of articles in the next issue, September 25, that I wanted to share with you.

The articles, in *Drug Store News* and *Inside Pharmacy,* cover a wide variety of subjects, some of them at the leading edge of retailer concerns right now. I thought I'd give you a brief rundown to whet your appetite.

1. Electronic space management. In the field of technology, few areas are more central to retailers' needs than the ability to adjust product mix to achieve maximum yield on investment. The integration of accurate POS-generated product movement data into computer programs that automatically planogram department shelf space will become more and more critical as the decade of the nineties unfolds. In this upcoming issue, senior editor Dave Vaczek will reveal the results of an industry survey focusing on the current state of automated space management among the nation's top drug chains. Vaczek's report, which will also examine future trends in space management, will be the first to delve into this key area.

2. Leveraged buyouts. The LBO scene has been getting some bad press lately as shakily financed deals have gone sour or threaten to do so. In the chain drug industry, two LBO companies are now in Chapter 11, engaged in an uphill struggle to overcome the effects of overly optimistic financial structures set up by previous managements. But not all LBO companies are struggling. A handful of drug chains are getting along very well, paying down debt and investing in their future. What makes the difference between these companies and the ones that are under siege? That's the subject of a penetrating piece by Midwest senior editor Jim Frederick and associate editor Susan Ball in the next issue.

3. Cosmetics department service. How far should drug stores go in providing service in their cosmetics departments? That's a question that's been under debate for ages. The answers, from drug chains, are driven by image needs and by economics and run the gamut from allowing the customer to fend for herself to providing full service by experienced cosmetologists. In a special section in the next issue, Special Projects Editor Liz Parks discloses the results of an industry-wide survey on the current state of service in cosmetics departments. Is service gaining or losing ground? What does the future hold? These are just two of the questions that this report will address in the next issue.

IN THE MARKET
BRUCE BUCKLEY

4. The impact of combination stores. No other retail format surpasses the combination food and drug store as a competitive threat to drug stores. Many drug chains cast their strategies with combo stores foremost in mind, and the next few years will test these strategies as never before. In the next issue, our staff will focus on the strengths and strategies of three geographically diverse combination store operators as examples of how the combo store movement is threatening to engulf the retail drug industry.

5. The generics controversy. The scandal that surfaced in the generic drug industry has captured the attention of everyone from FDA and congressional investigators to pharmacists to the consuming public. The roots of this controversy, which threatens the strong trust that Americans have in the efficacy of generic drugs, are explored in a cover story by assistant pharmaceutical editor Elizabeth Richardson, who has spent weeks interviewing a wide range of sources in government, the pharmaceutical industry and retail companies in order to write this story.

Well, that's the lineup. I hope you're looking forward to it as much as I am.

Damning many because of a few?

Not long ago people here in Washington couldn't find enough good to say about generic drugs.

Public interest groups touted generics as the solution to everything from rising health care costs to international corporate avarice.

Top Food and Drug Administration officials jury-rigged questionable "Paper NDA" systems to short-cut safety and effectiveness reviews of new generic pharmaceuticals.

Congress went a step further by enacting legislation specifically mandating fast-track approvals of generics by FDA.

Drug chains sang the praises of generics in advertising that urged patients to request substitutes for higher-priced brand-name drugs.

The media, meanwhile, gobbled up the pro-generic propaganda and then amplified it via condescending "consumer reports" designed to assure the public that generic products are "just as good" as brand-name drugs, but at a fraction of the cost.

Recent disclosures on Capitol Hill and at FDA headquarters have severely tarnished the image of generic drugs. Several prominent manufacturers of generic pharmaceuticals have been charged with bribing Federal drug reviewers in an apparently successful effort to expedite marketing approval for their products. And more than one FDA official has already been fingered by Congressional investigators for improperly accepting payments from generic drug sponsors.

To be sure, these disclosures prompted a chorus or two of "I told you so" from the brand name pharmaceutical industry—but that was to be expected. Otherwise, the initial reaction was strictly "ho, hum."

A couple generic guys may have got caught with their hands in the cookie jar—so what? No real harm done! It only proves that the generic manufacturers can be just as greedy as the next guy, right?

Even FDA emphasized that despite these irregularities, there was no evidence that the safety of the nation's generic drug supply had been compromised.

But that was only the initial reaction. Then the second shoe dropped. Federal investigations revealed that several generic drug manufacturers had obtained marketing approval for their products by fraudulent means.

In order to satisfy FDA's bioequivalence standards, it seems that these manufacturers submitted the brand-name reference product to FDA reviewers in place of their own drug. Not surprisingly, FDA found the ersatz "generic" products to be bioequivalent to the original.

WASHINGTON PERSPECTIVE
KEN RANKIN

Suddenly the scandal had taken on darker overtones. The safety of some of the nation's most widely dispensed generic drugs was suddenly in question. FDA promptly announced an unprecedented program to safety test thousands of generic drugs now on the market.

But while this testing was designed to ease concerns over generic safety, if any further problems are uncovered it could have the opposite effect.

What should the drug store industry make of this ongoing controversy, and how should it respond?

Clearly, the first step is to put the situation in perspective. While there is reason to be concerned, there's no reason to panic. And certainly, there's no reason to panic others. Just as the benefits of generic drugs may have been oversold, the dangers resulting from the current generic scandals may be exaggerated.

I believe APhA struck the right note in its recent statement commending FDA and Congressional investigators for "uncovering examples of abuses and fraud within the generic drug approval process."

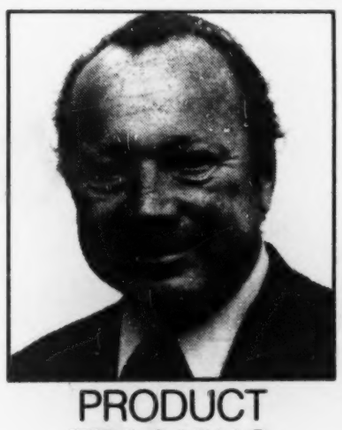
While these problems "are cause for serious concern, APhA cautions against impugning the integrity of the many generic drug companies and their products because of the wrongful actions of a few companies."

SPECIAL SAMI REPORT

Drug/food segment H&BA sales compared

The mid-year million-dollar brand reports for both drug and food stores have arrived, and, as always, the data contained in these studies can be massaged to ferret out a number of interesting and useful observations.

Our focus in this mini-analysis shows: (1) a comparison of the current number of health and beauty aid brands with a million dollars or more in annual retail volume by category for each outlet; and (2) the number of dollars generated, drug vs. food, by the top-selling brand in each category. The period covered is the year ended July 14, 1989.



PRODUCT TRACKING

ALAN MILLER

During this period, total sales among all 55 H&BA categories amounted to $8.2 billion in drug stores and $8.7 billion in food stores. However, there were 956 different million-dollar brands in drug stores as compared to only 679 in food stores. The numbers confirm the broader H&BA mix drug stores carry in order to effectively compete with food stores.

The study shows both food stores and drug stores with two leading brands that generated more than $100 million in annual sales last year. Common to both retail segments, as a $100 million-plus brand, is the leading brand of internal analgesics. For drug stores the second $100 million-plus brand is in the eye care category, whereas for food stores the second top brand is the leading brand of toothpaste.

It should be noted that the leading brands in various categories are not necessarily the same in drug stores and food stores. In two of the four categories of baby needs, for example, there is a different brand at the top of the list among baby oils, creams and lotions as well as nursing supplies.

In some instances the disparity in brand rank between outlets is dramatic. The shampoo brand with the highest annual sales in drug stores ranks 21st in the food store rank report.

There are also important variations in the sales level of the best-selling brands in the two outlets. The leading brand of contraceptives has five times more volume in drug stores than in food stores. However, for toothpaste the story is reversed. The number of dollars contributed by the leading toothpaste brand in food stores is more than triple the amount this same brand generated in drug stores.

In some categories there are roughly the same number of million-dollar brands in competition but the volume recorded by the leading brand in each outlet may differ widely. For example, there are 15 million-dollar brands of spray deodorants in both food and drug stores, but the leading food store brand has annual sales of $38.7 million, compared with $17.7 million in drug stores.

The H&BA category with the highest number of million-dollar brands is shampoo: 53 in drug stores and 43 in food stores. Nevertheless, the top brand in shampoos generates more than twice the volume in food stores than the top brand in drug stores ($67.3 million vs. $27.3 million).

The situation is similar for the category that ranks second in number of million-dollar brands: cold remedies. Here there were 48 million-dollar brands in drug stores and 36 in food stores. But the No. 1 brand in food stores accounted for $77.1 million, as opposed to the $58.7 million generated by the No. 1 brand in drug stores.

In instances where there are more million dollars in competition in food stores than for drug stores, the margin is small. For example, there were 16 million-dollar brands of roll-on deodorants in food stores and 15 in drug stores. There were also two more million-dollar brands of tooth paste and powder in food stores than were found in drug stores nationally.

These are just some of the observations from the new mid-year Arbitron/SAMI million-dollar brand report. To subscribe, contact Warren Spence, vp H&BA marketing, Arbitron/SAMI, 55 Greens Farms Road, Westport, Conn. 06880.

Comparison of number of million-dollar H&BA brands, drug stores vs. food stores

(Leading brand sales for each category, year ended July 14, 1989)

Category	No. of million dollar brands in drug stores	Annual sales leading brand (millions)	No. of million dollar brands in food stores	Annual sales leading brand (millions)
Baby powders	3	$ 14.5	3	$ 27.3
Baby oils creams & lotions	8	15.4	7	24.2
Infant clothes	1	3.1	1	11.6
Nursing supplies	10	12.4	4	23.2
Contraceptives	19	41.6	8	7.9
Personal lubricants	1	8.9	1	3.4
Home testing kits	9	23.6	6	6.3
Thermometers	1	11.0	1	2.5
Spray deodorants	15	17.7	15	38.7
Roll-on deodorants	15	19.4	16	39.2
Stick deodorants & pads	21	29.5	18	68.4
Cream deodorants	4	2.4	4	4.5
Deodorants & talcum powders	2	10.8	2	19.3
Feminine hygiene deodorants/ douches/washes	4	4.8	3	5.4
Foot deodorants & athlete's foot remedies	8	19.5	6	10.7
Feminine douches/washes	4	25.4	4	39.5
First aid antiseptics	22	27.0	13	19.8
First aid products	20	373.0	15	60.2
Shampoo	53	27.3	43	67.3
Hair spray	35	32.5	33	51.4
Hair conditioning rinses	39	10.9	34	24.4
Hair setting needs	23	8.8	23	14.5
Home permanent kits	8	15.8	5	6.9
Hair coloring	39	35.5	15	26.1
Hair dressing needs	20	10.9	17	13.5
Toothpaste & powder	30	38.8	32	122.0
Mouthwash	16	47.5	14	96.6
Breath fresheners	2	9.9	1	7.9
Denture cleaners	6	22.3	5	36.1
Denture adhesive	14	18.8	6	23.7
Toothbrushes	11	28.9	8	39.1
Dental aids	5	18.6	1	24.7
Antacids	28	50.3	16	73.3
Internal analgesics	34	240.6	32	370.4
External analgesics	11	19.2	12	14.0
Cold remedies	48	58.7	36	77.1
Nasal sprays drops inhalers	13	30.5	6	27.9
Chest rubs	2	11.7	2	13.0
Cough remedies	32	61.6	19	53.8
Laxatives & stool softeners	33	77.4	18	40.2
Sleeping aids	5	15.2	4	15.5
Eye care products	27	109.0	17	62.5
Appetite suppressants	8	40.7	4	26.2
Synthetic vitamins	37	30.3	21	23.4
Natural vitamins, minerals supplements	25	23.2	8	12.9
Shaving creams	9	15.5	11	26.0
Pre-shave lotions	2	5.4	2	6.1
After shave lotions	15	13.3	6	12.8
Razor blades	21	34.2	24	67.0
Razors & blades	4	4.0	4	4.9
Hand & body creams-lotions	38	28.9	23	47.8
Facial preparations	27	34.1	15	22.1
Lip care products	9	15.4	5	15.6
Suntan preparations	22	26.4	11	22.6
Cosmetic & medicated skin aids	38	15.2	19	20.1
Total	956		679	

Source: Arbitron/SAMI

TRENDS

Triple-A performers take a bow

Drug store operators, like theatrical directors, strive to draw out the best performance from their cast of products through skillful merchandising and promotion.

The results of their labors are reflected in the branded items that earn Triple-A rankings each year.

Drug Store News' Triple-A Product Study spotlights the H&BA and general merchandise products that turned in the best performances during the past calendar year, by units sold and dollar volume.

To compile Triple-A rankings, *Drug Store News* relies on warehouse withdrawal data from major chains, provided on a confidential basis. Rack-jobbed categories such as cigarettes, candy-snacks and pantyhose are not included in the Triple-A study because field representatives from manufacturers service the

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150 Hottest Health & Beauty Aid Items

(Ranked by dollar volume)

Rank	Product name	Rank	Product name
1	Tylenol ex str caplets 100	76	Benadryl tablets 24
2	Listerine mouthwash 32 oz.	77	Nyquil 14 oz.
3	Tylenol ex str caplets 50	78	Anacin tablets 100
4	Plax dental rinse original 16 oz.	79	Gillette Micro Trac razor 10
5	Centrum vitamins 130	80	Playtex tampon non-deod super 28
6	Plax dental rinse mint 16 oz.	81	Fleet adult enema 4.5 oz.
7	Pampers Ultra Plus large 32	82	Robitussin CF cough syrup 4 oz.
8	AoSept disinfecting solution 12 oz.	83	Dimetapp Extentabs 12
9	Huggies Supertrim large 32	84	Listerine mouthwash 12 oz.
10	AoSept disinfecting solution 8 oz.	85	Trojan regular 12
11	Gillette Atra blade refills 10	86	Pepto Bismol liquid 8 oz.
12	B&L saline solution sen eyes 12 oz.	87	Dexatrim ex str caps 40
13	Tampax Super 40	88	Tylenol reg str tablets 100
14	Advil tablets 50	89	Sudafed tablets 48
15	Huggies Supertrim medium 48	90	Nyquil cherry 10 oz.
16	Bayer aspirin tablets 100	91	Playtex tampon deod reg 28
17	Tylenol ex str caplets 175	92	Stayfree regular maxi 30
18	Oil of Olay regular 4 oz.	93	Formula 44D 4 oz.
19	Neosporin ointment .5 oz.	94	Preparation H ointment 1 oz.
20	Tampax original regular 40	95	Gillette Good News disp razor 10
21	Advil tablets 100	96	Gillette Atra blades 5
22	Gillette atra plus 10	97	Crest toothpaste regular tube 6.4 oz.
23	Tylenol ex str tablets 60	98	Crest gel tartar 6.4 oz.
24	Trojan enz lub 3	99	Preparation H suppositories 12
25	Sudafed tablets 24	100	Afrin nasal spray 15 cc
26	Gillette Trac II blades 10	101	Correctol tablets ext. 30
27	Tylenol ex str tablets 100	102	Actifed tablets 24
28	Alka Seltzer Plus cold tablet 36	103	K-Y jelly sterile lubricant 4 oz.
29	Robitussin DM cough syrup 4 oz.	104	Tylenol child chew tablets 48
30	Advil tablets 24	105	J&J O.B. tampons regular 30
31	Mylanta 12 oz.	106	Pepto Bismol 4 oz.
32	Efferdent tablets 96	107	Oral B 40 toothbrush soft
33	Tylenol children's drops .5 oz.	108	B&L saline solution 12 oz.
34	Dimetapp elixir 4 oz.	109	Visine eye drops .5 oz.
35	Maalox liquid 12 oz.	110	Colgate toothpaste 9 oz.
36	Tylenol gelcaps ex str 50	111	Excedrin tablets 60
37	Tylenol ex str tablets 200	112	Carefree pantyshield reg 26
38	Lens Plus sterile saline 12 oz.	113	Bayer aspirin tablets 50
39	Robitussin DM cough syrup 8 oz.	114	Tampax Super 10
40	Stayfree Super Maxi pp 2.99 30	115	Colgate toothpaste 7 oz.
41	Mineral Ice 8 oz	116	Gillette Atra Plus 15
42	Tylenol ex str caplets 24	117	Contac capsules 10
43	Benadryl Kapseals 25mg 24	118	Q-tips 170
44	Alka Seltzer Plus cold tablet 20	119	Colgate tartar 6.4 oz.
45	Excedrin tablets 100	120	Plax dental rinse original 8 oz.
46	Extra strength Maalox Plus 12 oz.	121	Robitussin 4 oz.
47	Q-tips 300	122	BIC shaver 10
48	AoDisc replacement	123	J&J O.B. tampons super 30
49	Oil of Olay 6 oz.	124	BIC Sensitive Shaver 10
50	Tylenol ex str tablets 30	125	B&L disinfecting solution 12 oz.
51	Neosporin ointment .5 oz.	126	Gillette Good News Plus 10
52	Theragran M vitamins 130	127	Gillette Atra plus blades 5
53	Gillette Atra blade refills 15	128	Formula 44D 8 oz.
54	Advil caplets 50	129	Nuprin 50
55	Tylenol child chew grape 30	130	Tampax original regular 10
56	Nyquil cherry 6 oz.	131	Close-up gel 6.4
57	Speed Stick deod reg 2.5 oz.	132	Stayfree deod maxi 30
58	Fixodent 2.5 oz.	133	Robitussin PE cough syrup 4 oz.
59	Nyquil 10 oz.	134	Listerine mouthwash 6 oz.
60	Benadryl elixir 4 oz.	135	Dulcolax tablets 25
61	Nyquil 6 oz.	136	Triaminic cold syrup 4 oz.
62	Dexatrim ex str caplets 20	137	Alka Seltzer foil 36
63	Advil caplets 100	138	Doans Pills 24
64	Tampax Super Plus 40	139	Efferdent tablets 60
65	Drixoral S.A. tablets 10	140	Vicks Vapo Rub 3 oz.
66	Gillette Trac II blades 15	141	Excedrin tablets 30
67	Playtex tampon deod super 28	142	Gillette Trac II blades 5
68	Scope original mouthwash 24 oz.	143	Lens Plus sterile saline 8 oz.
69	Tylenol children's tab chew 30	144	Crest toothpaste tartar 8.2 oz.
70	Dexatrim ex strg caffeine free 20	145	Crest gel tartar tube 8.2 oz.
71	Dimetapp Extentab 24	146	Efferdent denture tablets 40
72	Benadryl Kapseals 48	147	Aqua Fresh toothpaste tube 6.4 oz.
73	B&L sensitive eye daily cleanser 1 oz.	148	Actified tablets 12
74	Advil caplets 24	149	Listerine mouthwash 3 oz.
75	Crest toothpaste tartar tube 6.4 oz.	150	Plax dental rinse mint 8 oz.

Source: *Drug Store News* research

(Ranked by units sold)

Rank	Product name	Rank	Product name
1	Fleet adult enema 4.5 oz.	76	Tampax slender regular 10
2	B&L saline solution sen eyes 12 oz.	77	Benadryl elixir 4 oz.
3	Chap Stick	78	Close-up gel 6.4
4	Advil tablets 24	79	Extra strength Maalox plus 12 oz.
5	Tylenol ex str caplets 50	80	Pepto Bismol liquid 8 oz.
6	Blistik lip balm	81	Listerine mouthwash 6 oz.
7	Plax dental rinse original 16 oz.	82	White Rain non aerosol unsc 8 oz.
8	Q-tips 300	83	Colgate toothpaste 9 oz.
9	Tylenol ex str caplets 24	84	Massengill vinegar/water twin 12 oz.
10	Mylanta 12 oz.	85	Benadryl tablets 24
11	Robitussin DM cough syrup 4 oz.	86	Gillette Atra blades 5
12	Speed Stick deod reg 2.5 oz.	87	Fixodent 2.5 oz.
13	Bayer aspirin tablets 100	88	Tylenol gelcaps ex str 50
14	Plax dental rinse mint 16 oz.	89	Bayer aspirin tablets 50
15	Sudafed tablets 24	90	AoDisc replacement
16	Listerine mouthwash 32 oz.	91	Gillette Good News disp razor 10
17	Neosporin ointment .5 oz.	92	Formula 44D 4 oz.
18	Tampax Super 10	93	Crest toothpaste tartar 4.6 oz.
19	Blistex lip ointment	94	Gillette Micro Trac razor 5
20	Alka Seltzer Plus cold tablet 20	95	Nyquil cherry 6 oz.
21	BIC shaver 10	96	White Rain non aero xtr hold 8 oz.
22	Maalox liquid 12 oz.	97	Crest gel tartar 4.6 oz.
23	Nyquil 6 oz.	98	BIC shaver 5 pk
24	Q-tips 54	99	Robitussin CF cough syrup 4 oz.
25	Crest toothpaste regular tube 6.4 oz.	100	Robitussin DM cough syrup 8 oz.
26	Tampax original regular 10	101	Plax dental rinse mint 8 oz.
27	BIC Sensitive Shaver 10	102	Barbasol shave cream regular 11 oz.
28	Crest toothpaste tartar 6.4 oz.	103	B&L saline solution 12 oz.
29	Q-tips 170	104	Scope original mouthwash 24 oz.
30	Advil tablets 50	105	Crest toothpaste mint tube 6.4 oz.
31	Gillette Atra blade refills 10	106	Drixoral S.A. tablets 10
32	Colgate toothpaste 1.5 oz.	107	White Rain shampoo extra body 16 oz
33	Listerine mouthwash 3 oz.	108	Aqua Net super 9 oz.
34	Oral B 40 toothbrush soft	109	K-Y jelly sterile lubricant 4 oz.
35	Crest gel tartar 6.4 oz.	110	Advil caplets 50
36	Tylenol ex str caplets 100	111	Speed Stick deod musk 2.5 oz.
37	Tylenol ex str tablets 30	112	Band-Aids 60s
38	Tampax super 40	113	Crest toothpaste tartar 8.2 oz.
39	AoSept disinfecting solution 8 oz.	114	Crest gel tartar tube 8.2 oz.
40	Tampax original regular 40	115	B&L sensitive eye daily cleanser 1 oz.
41	Benadryl Kapseals 25mg 24	116	Colgate tartar gel 6.4 oz.
42	Aqua Net extra superhold 9 oz.	117	Vicks Vapo Rub 1.5 oz.
43	Afrin nasal spray 15 cc	118	Vaseline petroleum jelly 3.75 oz.
44	Colgate toothpaste 7 oz.	119	White Rain extra hold 7.5 oz.
45	Dimetapp elixir 4 oz.	120	Gillette Atra Plus blades 5
46	Listerine mouthwash 12 oz.	121	Preparation H ointment 1 oz.
47	Plax dental rinse original 8 oz.	122	Excedrin tablets 100
48	Carefree pantyshield reg 26	123	Advil tablets 100
49	Colgate tartar 6.4 oz.	124	Speed Stick ap fresh 2.25 oz.
50	Tylenol children's tab chew 30	125	Contac capsules 10
51	BIC Sensitive Shaver 5 pk	126	Playtex tampon deod super 28
52	Alka Seltzer Plus cold tablet 36	127	Dimetapp extentabs 12
53	Gillette Atra Plus 10	128	Trojan regular 12
54	Trojan enz lub 12	129	Vaseline petroleum jelly 1.75 oz.
55	Stayfree Super Maxi 30	130	Robitussin cough syrup plain 4 oz.
56	Tampax Super Plus 10	131	Pampers Ultra Plus large 32
57	Gillette Trac II blades 10	132	Actified tablets 12
58	Trojan enz lub 3	133	Efferdent denture tablets 40
59	Neosporin ointment .5 oz.	134	Tampax Super Plus 40
60	Tylenol children's drops .5 oz.	135	Carefree pantyshield deod (1.49) 26
61	Tylenol ex str tablets 60	136	Nuprin 24
62	Advil caplets 24	137	Speed Stick fresh scent 2.5 oz.
63	Visine eye drops .5 oz.	138	Massengill vingr/wtr mild twin 12 oz.
64	Gillette Micro Trac razor 10	139	Stayfree regular maxi 30
65	Bayer children's aspirin 36	140	Crest toothpaste regular tube 4.6 oz.
66	AoSept disinfecting solution 12 oz.	141	Speed Stick ap unsc 2.25
67	Vaseline Lip Therapy	142	Gillette Good News disp razor 5
68	Lens Plus sterile saline 12 oz.	143	Colgate tartar 4.6 oz.
69	Pepto Bismol 4 oz.	144	Correctol tablets ext. 30
70	Efferdent tablets 96	145	Crest gel tartar pump 4.6 oz.
71	Aqua Fresh toothpaste tube 6.4 oz.	146	Alka Seltzer foil 36
72	Aqua Net X-Super hold unsc 9 oz.	147	Playtex tampon non-deod super 28
73	Tylenol ex str tablets 100	148	Mineral Ice 8 oz.
74	Colgate toothpaste 5 oz.	149	Colgate toothpaste tube 9 oz.
75	Tylenol child chew grape 30	150	Gillette Trac II blades 5

Source: *Drug Store News* research

150 Hottest General Merchandise Items

(Ranked by dollar volume)

Rank	Product name	Rank	Product name
1	Polaroid 600 High Spd film	76	Executive envelopes 100
2	Polaroid SX 70 Time Zero	77	Eveready 9v heavy duty 2 pk
3	Polaroid 600 High Spd film twin	78	Kodak carded VRG 100 135-12
4	Kodak VRG 200 135-24	79	Fuji CN 135 24 100
5	Kodak VRG 100 print film 135-24	80	3M Scotch Magic tape ½ x 450
6	Duracell AA 8 pk	81	Liquid Paper white
7	Kodak HR disc 2 pk	82	Ajax cleanser regular 14 oz.
8	Kodak VRG 400 carded 135-24	83	BASF T160 VHS tape
9	Eveready AA energizer 4 pk	84	Hefty Cinch Sak 30 gal 10
10	Kodak VRG 100 carded 3 pk/135	85	Fab 1 Shot 10
11	Kodak VRG 400 carded 135-36	86	Kleenex facial tissue white 250
12	Kodak VRG 100 carded 135-36	87	Irish Spring 5 oz.
13	Polaroid Spectra film single	88	Dial bath gold 5 oz.
14	Duracell C 2 pk	89	Mead Trapper portfolio
15	Eveready C energizer 2 pk	90	Elmers white glue 4 oz.
16	Kodak VRG 200 sp 135-36	91	Tone bath 4.75 oz.
17	Duracell AA 2 pk	92	Kodak VRG 200 carded 110 3 pk
18	Clorox bleach gal	93	Windex refill 32 oz.
19	Mead Trapper Keeper	94	Fuji CN 110 24 100
20	Wisk liq detergent 64 oz.	95	Kleenex facial white 175
21	Dove liq. dish soap 48 oz.	96	Scotch Hi Grade videotape T120
22	Duracell D 2 pk	97	Dow bathroom cleaner
23	Duracell 9 volt	98	Fuji CH 135 24 400
24	Eveready D Energizer 2 pk	99	Coronet bath tissue
25	Duracell AA 4 pk	100	Kodak VRG 400 110-24 carded
26	Tide 42 oz.	101	BASF T120 videotape 4 pk
27	Eveready AA heavy duty 4 pk	102	BIC Stic pen blue 10
28	Eveready 9v Energizer battery	103	Krazy Glue
29	Downy blue 64 oz.	104	BIC Stic pen black 10 pk
30	Dawn liquid 22 oz.	105	Papermate Write Bros. black 10 pk
31	Tide liquid scented .75 off 64 oz.	106	Sno Bowl toilet cleaner 24 oz.
32	Eveready AA Energizer 2 pk	107	Glass Plus trigger spray 32 oz.
33	Scotch VHS T120 video cass	108	Fantastik cleaner w/gun 32 oz.
34	Kodak VRG 200 carded 110-12	109	Cottonelle white 4 pk
35	Surf liq det 64 oz.	110	Sony audio HF90 cass 2 pk
36	Liquid Clorox 2 32 oz.	111	Kodak Fling 35 camera
37	Dial bath gold 4 pk	112	Cottonelle color 4 pk
38	Downy sheets 36	113	Northern bath tissue white 4 pk
39	Bounce scented 40	114	Brawny towels asst colors
40	Charmin bath tissue white	115	Reynolds wrap heavy duty 37½
41	Eveready D heavy duty 2 pk	116	Kleenex facial asst. 175
42	Joy liquid 22 oz.	117	Kodak 35mm 24 exp 2 pk
43	Dove bar soap bath	118	Dial liquid soap pump 8 oz.
44	Arm & Hammer baking soda 16 oz.	119	Solo liquid detergent 64 oz.
45	Palmolive dish liq 22 oz.	120	Brawny towels print on white
46	Scotch video tape T120 3 pk	121	Lysol deodorizing cleaner 28 oz.
47	Clorox Fresh Scent gal.	122	Scotch VHS head cleaner T120
48	Crayola Crayon 24	123	Brawny towel 3 pk
49	Yes laundry detergent 64 oz.	124	All liq det 96 oz.
50	Charmin bath tissue assorted	125	Kodak Supralife AA 4 pk
51	Snuggle fab softener 64 oz.	126	Comet cleanser 14 oz.
52	Sony VHS T120 cassette	127	Glad trash bags bonus 30 gal
53	Northern bath tissue white 6 pk	128	Kodak Supralife D 2 pk
54	Ivory liquid 22 oz.	129	Hefty Cinch Sak Lawn & Leaf 39 gal
55	Charmin bath tissue 6 pk	130	3M Post-It pads prepk 3x3
56	Lysol Scent II deodorant 12 oz.	131	Glad trash bags 10
57	Liquid Plumber 32 oz.	132	Northern bath tissue asst 4 pk
58	Eveready AA gen purpose 4 pk	133	Scott paper toweling 124
59	Eveready C heavy duty 2 pk	134	Surf liq det 128 oz.
60	Lysol spray disinfectant 12 oz.	135	Sony audio HF60 cass 2 pk
61	BASF VHS T120 videotape	136	BIC lighter 2 pk
62	Duracell D-4/C-4 ppk	137	Kodak 110 24 exposure 2 pk
63	Bounty paper towels	138	Sony standard videotape beta L750
64	Ivory soap personal 4 pk	139	Kodak Supralife C 2 pk
65	Arm & Hammer detergent hd 64 oz.	140	3M Magic Tape floor display
66	Tide pwd laundry detergent 17 oz.	141	Kodak VRG 200 carded 135-12
67	Maxell videotape standard EX T120	142	Kodak 3 pk 135-24 12 exp free
68	Kodak HR disc	143	Kodak VR 1000 24
69	Cascade diswasher pwd 50 oz.	144	Kodak Supralife 9v battery
70	Jergens mild soap 4 pk	145	Lemon Pledge 7 oz.
71	Mead security envelopes	146	Northern napkin 250
72	Eveready 9v gen purpose 2 pk	147	Kodak VRG 200 carded 126-12
73	3M Magic trans tape ¾ x 300	148	Lisa Frank fashion portfolio
74	Cheer det liq 64 oz.	149	Palmolive Gold/b pp 1.19 3/p
75	Caress bar soap bath	150	Lux bar soap 6 pk

Source: *Drug Store News* research

(Ranked by units sold)

Rank	Product name	Rank	Product name
1	Bounty paper towels	76	BIC Stic pen blue 10
2	Clorox bleach gal	77	BIC Stic pen black 10 pk
3	Kodak VRG 100 135-24	78	Cheer det liq 64 oz.
4	Kodak VRG 200 SP 135-24	79	Polaroid Spectra film single
5	Eveready AA Energizer 4 pk	80	Eveready 9v heavy duty 2 pk
6	Polaroid 600 film	81	Brawny towels assorted colors
7	Arm & Hammer baking soda 16 oz.	82	Kleenex facial white 175
8	Dove liq. 48 oz.	83	Duo tang pocketfolio w/prongs
9	Dawn liquid 22 oz.	84	Charmin bath tissue 6 pk
10	Duracell AA 4 pk	85	Brawny towels print on white
11	Duracell AA 2 pk	86	Lysol Scent II deodorant 12 oz.
12	Duracell C 2 pk	87	3M Post-It pads prepk 3x3
13	Eveready C Energizer 2 pk	88	Lysol spray disinfectant 12 oz.
14	Duracell D 2 pk	89	Cascade dishwasher 50 oz.
15	Eveready D Energizer 2 pk	90	Papermate Write Bros. black 10 pk
16	Ajax regular 14 oz.	91	Sony VHS T120 cassette
17	Kodak HR disc 2 pk	92	Dow bathroom cleaner
18	Eveready AA heavy duty 4 pk	93	Cottonelle white 4 pk
19	Kodak VRG 400 carded 135-24	94	Mead notebook 3-hole
20	Dove bar soap bath	95	BASF VHS T120 videotape
21	Duracell AA 8 pk	96	Kodak HR disc
22	Comet cleanser 14 oz.	97	Kleenex facial asst 175
23	Duracell 9 volt	98	Windex refill 32 oz.
24	Eveready AA Energizer 2 pk	99	Krazy Glue
25	Eveready 9v Energizer	100	BIC lighters
26	Palmolive dish liq 22 oz.	101	Glass Plus trigger spray 32 oz.
27	3M Magic trans tape 3/4 300	102	Stuart Hall spiral notebook
28	Crayola Crayons 24	103	Cottonelle color 4 pk
29	Kodak VRG 100 carded 135-36	104	Sno Bowl toilet cleaner 24 oz.
30	Joy liquid 22 oz.	105	Reynolds Wrap heavy duty 37½
31	Tide 42 oz.	106	Fantastik cleaner w/gun 32 oz.
32	Polaroid SX 70 Time Zero	107	Kodak carded VRG 100 135-12
33	Dial bath gold 5 oz.	108	Fuji CN 135 24 100
34	Charmin bath tissue asst.	109	Hefty Cinch Sak trash 30 gal 10
35	3M Scotch Magic tape ½ x 450	110	Lisa Frank fashion portfolio
36	Kodak VRG 400 carded 135-36	111	Duracell D-4/C-4 pk
37	Downy blue 64 oz.	112	Maxell videotape standard EX T120
38	Wisk liq detergent 64 oz.	113	Reynolds wrap 25 ft 12 in
39	Eveready AA gen purpose 4 pk	114	Coronet bath tissue
40	Charmin bath tissue white	115	BIC lighter 2 pk
41	Dial bath gold 4 pk	116	Fab 1 Shot 10
42	Clorox Fresh Scent gal.	117	Dial liquid soap pump 8 oz.
43	Kodak VRG 200 135-36	118	Fuji CN 110 24 100
44	Eveready C heavy duty 2 pk	119	Mead 3x5 ruled index cards 100
45	Kodak VRG 200 carded 110-12	120	Sony audio HF90 cass 2 pk
46	Caress bar soap bath	121	Northern bath tissue asst 4 pk
47	Jergens mild soap 4 pk	122	Lux bar soap 6 pk
48	Mead security envelopes	123	Palmolive Gold/b 3/p
49	Irish Spring bath soap 5 oz.	124	BASF T160 VHS tape
50	Ivory liquid 22 oz.	125	Fuji CH 135-24 400
51	Eveready D heavy duty 2 pk	126	Purex Brillo pad 10
52	Mead Trapper portfolio	127	Scotch videotape T120 3 pk
53	Elmers white glue 4 oz.	128	Calgon trial size 4
54	Bounce scented 40	129	Brawny towel 3 pk
55	Hi Dri paper towels asst.	130	Sony audio HF60 cass 2 pk
56	Tone bath 4.75 oz.	131	Northern bath tissue white 4 pk
57	Liquid Clorox 2 32 oz.	132	Lemon pledge 7 oz.
58	Eveready 9V gen purpose 2 pk	133	Lysol deodorizing cleaner 28 oz.
59	Scott paper toweling 124	134	BIC mini lighter 4 pk
60	Executive envelopes 100	135	Glad trash bags 10
61	Ivory Soap personal 4 pk	136	Scripto Turbo single lighter
62	Liquid Plumber 32 oz.	137	Kodak Supralife AA 4 pk
63	Tide detergent 17 oz.	138	Palmolive green bar
64	Downy sheets 36	139	Northern napkin 250
65	Northern bath tissue white 6 pk	140	3M transparent tape 3 pk
66	Kodak VRG 100 carded 3 pk/135	141	Kodak VRG 400 110-24 carded
67	Yes laundry detergent 64 oz.	142	Puffs white 175
68	Liquid paper white	143	Kodak Supralife C 2 pk
69	Mead Trapper Keeper	144	Kodak VR 1000 135-24 carded
70	Arm & Hammer detergent 64 oz.	145	Scripto Ult/lite lighter pk
71	Polaroid 600 high spd film twin	146	Kodak Supralife D 2 pk
72	Scotch VHS T120 video cass	147	Glad trash bags bonus 30 gal
73	Surf liq det 64 oz.	148	Kodak Supralife 9v battery
74	Tide liquid scented 64 oz.	149	Scotch Hi Grade videotape T120
75	Kleenex facial tissue white 250	150	Kodak VR 400 36

Source: *Drug Store News* research

Triple-A Product Study

TRENDS

The more things change. . . a look at Triple-A 10 years ago

We looked back 10 years, to the 1979 Triple-A Study, to see whether some categories and specific products that ranked in the top 20 then are still up there this year.

It should be noted that in the 1979 study, H&BA and general merchandise categories were lumped together, rather than ranked separately; there were just two lists, ranking 100 products by dollar volume and 100 by unit volume. This complicates making comparisons, but a few things do stand out, such as:

- Batteries didn't make the top 20 Triple-A items in the 1979 study, either in units or dollars. This year, they appeared eight times in the top 20 for units, and five times in dollar volume.
- Lens care-Eye care items didn't make the top 20 in units or dollars 10 years ago, whereas Bausch & Lomb and AoSept products were in the top 20 in dollar sales, and B&L also in units, in the 1989 study.
- Photo products, strong in 1979, are even more strongly represented this year, with 12 items in the top 20 in dollar volume, versus eight a decade ago. In units, there were five products among the 20 hottest items in 1979 and 1989.
- Household products weren't in 1979's top 20, but they are this year, seven times in units, once in dollar volume.
- Mouthwashes and toothpastes were in the top 20 in 1979, but only mouthwashes are this year.
- Some products, such as Listerine, Tylenol, Bayer, Tampax, Oil of Olay, Chapstick and Pampers, were hot then and have stayed that way.

Triple-A performers ring up sales, take bow

Continued from page 31

stores directly.

Fourteen H&BA categories and five general merchandise categories are represented in this year's 150-item lists, and in the following pages, *Drug Store News* focuses on nine of them: film, batteries, stationery-school-home office, baby care, analgesics, laxatives, antacids, cough-cold and lens care-eye care. (The first four also were categories that drug chain merchandisers and buyers, in a December survey, predicted would be among the hottest in 1989.)

Some of the categories and specific products starring in Triple-A this year have had long runs at the top: Among general merchandise categories, for instance, film and batteries have dominated the top 10 Triple-A rankings in dollars for several years. And Fleet Adult Enema has been the No. 1 H&BA item in units for at least five years. (*Drug Store News* has been conducting Triple-A studies since 1970.)

This year, the five top general merchandise performers in dollar sales are Kodak and Polaroid film products; in unit movement, film accounted for three of the top six rankings. Drug stores have cashed in on the booming film market through creative promotional and marketing programs and effective quality control measures.

Batteries' Triple-A showing this year correlates with the aggressive promotions, increased shelf space and secondary locations drug retailers are giving this category. The category earned seven of the top 15 spots in the general merchandise unit rankings and four of the top 15 in dollar sales.

New products, line extensions and Rx-to-OTC switches have infused several categories with fresh possibilities for merchandising and promotion. Demographic trends, including the aging population, second baby boom and the increase in home-based workers, are stimulating innovation both by manufacturers and retailers.

In antacids and laxatives, for example, two categories where the over-50 consumer is a dominant factor, manufacturers are responding with extra-strength formulations, additional flavors, dietary benefits and sugar-free extensions.

The home office segment of the stationery category is burgeoning at drug stores, which are benefiting not only from shoppers' penchant for organization, but from the growing ranks of people working out of their homes.

The impact of the baby boom can be seen in the baby care category, where diaper manufacturers, for example, have developed gender-specific lines, diapers with softer waistbands and biodegradable products. Drug store retailers are stepping up their merchandising and promotional efforts in baby care, with an eye to attracting new mothers, who are perceived as a key niche.

In lens care-eye care, new product introductions increased category sales by 12 percent in 1988. To stay abreast of product proliferation and consumer demand for new regimens, some drug chains are expanding the section and replanogramming more frequently.

New dosage forms, such as the caplet and the more recent introduction of the gelcap, have been advantageous to the analgesic category, which is strongly represented in Triple-A.

Rx-to-OTC switches and line extensions have enhanced the cough-cold category, and some retailers are bringing these products closer to pharmacy, to increase pharmacist-customer communication on such items as OTC formulations previously available only by prescription.

Although most Triple-A products are heavily promoted, there are exceptions; Chapstick and Blistik, for example, are often displayed as impulse items at checkstands or the pharmacy counter, but rarely appear in chains' ads, according to Vereen & Associates, which tracks ad activity each month among 46 drug chains. Fleet Adult Enema gets top H&BA unit ranking, yet, again, it isn't heavily advertised by the chains Vereen monitors.

Some items, such as Q-tips and other cotton swabs, are advertising chameleons, in that they are variously promoted as baby, cosmetic or health care items.

Some of the categories and specific products starring in Triple-A this year have had long runs at the top: Among general merchandise categories, for instance, film and batteries have dominated the top 10 Triple-A rankings in dollars for several years.

June Sampler

(June 1989 advertised pricing of popular items in six categories)

Analgesics category

Product	Ad price range: low, high	Chain
Advil 50	$2.99 $4.77	Drug Emporium Rite Aid
Advil 100	$4.99 $5.99	Fazios Revco (less rebate)
Bayer 100	$3.49 $3.99	Commonly used among chains SupeRx of Arizona
Excedrin 100	$3.69 $5.49	Med X Peoples
Tylenol 100	$4.97 $5.99	Fay's Big B

Antacids category

Product	Ad price range: low, high	Chain
Maalox 12 oz.	$2.89 $3.99 $4.79	Thrift Most common price Fantle's
Mylanta 12 oz.	$2.44 $2.79	CVS Peoples
Mylanta II	$3.09 $4.79	Super D (with coupon) Revco

Dental category

Product	Ad price range: low, high	Chain
Efferdent 96	$3.69 $3.99	Longs Big B
Listerine	$2.99 $3.89	Most common price Super D
Plax	$1.99 $2.49	Common low price Common high price

Skin care category

Product	Ad price range: low, high	Chain
Oil of Olay 4 oz.	$4.58 $4.79	Med X Pay Less
Oil of Olay 6 oz.	$5.69 $6.39	CVS, Longs Peoples

Film category

Product	Ad price range: low, high	Chain
Kodak Disc 2-pack	$3.99 $4.99	SupeRx (Ohio) Peoples, Bartell, Medic
Kodak VRG 400 24 exp.	$3.59 $3.99	Med X Peoples

Batteries category

Product	Ad price range: low, high	Chain
Energizer AA 4-pk	$1.99 $2.79	Kerr Pay Less
Duracell AA 8-pk	$3.78 $4.19	Med X (plus rebate) Peoples

Source: Vereen & Associates

Product movement rankings in the Triple-A study are based on warehouse withdrawal data from a sampling of leading drug chains for a year covering roughly the second half of 1988 and first half of 1989.

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Most frequently advertised antacid brands
(First six months of '89,
total newspaper & circular ads from a 46-chain base = 955)

Brand	% of total antacid products advertised
1. Tums	15.6%
2. Maalox	13.9
3. Pepto Bismol	13.8
4. Mylanta	11.6
5. Alka Seltzer	9.3
6. Gaviscon	7.6
7. Rolaids	5.7
8. Phillips	4.5
9. DiGel	2.7
10. Riopan	1.5
Total of most frequently advertised brands	86.2
Other brands (including private label)	13.8
Total	100.0

Source: Vereen & Associates

TRENDS | Triple-A: Antacids, Laxatives

Aging population drives chain drug sales for the ethical laxatives-antacids category

Laxatives and antacids are two categories traditionally merchandised side-by-side in drug chains, and sales from both categories are consistently driven by the aging population.

Forty-four percent of all adults have suffered heartburn in the past month, and those over 50 years of age are more likely to suffer from it three or more times a month, a Gallup national survey revealed. The report also said doctors most frequently tell their patients to monitor their diets and take OTC antacids to relieve heartburn distress.

Extra-strength formulations, fruit-flavored additions and single and three-roll packs are ways antacid manufacturers are meeting the needs of the modern mature, the segment of the population who buys these products most often. These trends appeal to their need for fast relief, a non-chalky, better-tasting product, and convenience.

Maalox and Mylanta, two ethical antacid products, were among the most frequently advertised antacid brands over a 6-month period, Vereen & Associates data revealed. These two products also ranked relatively well in both unit volume and dollar sales in the Triple-A rankings. Pepto Bismol was also promoted fairly heavy and enjoyed mentions in both Triple-A lists.

Although Triple-A rankings of antacids included only ethical preparations, Vereen data showed Tums and Rolaids as heavily advertised nonethical antacids. In fact, Tums was the brand most heavily advertised of all antacids, accounting for a 15.6-percent share over 1989's first half.

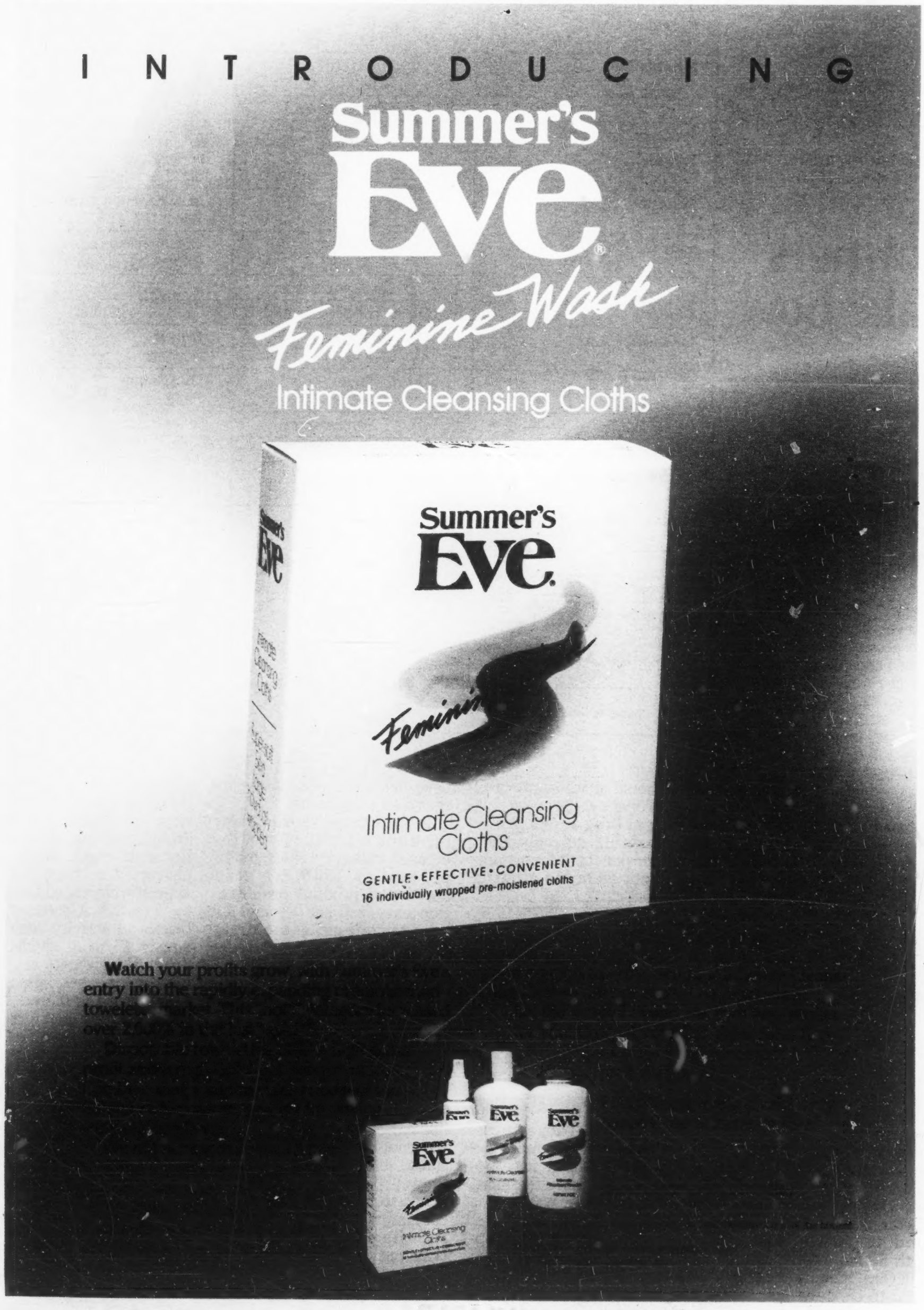
Manufacturers are also capturing additional sales by touting their products as calcium-builders, another concern for people over 50. The future of the antacid category should remain strong, with the proposed approval of the transfer of Tagamet from Rx to OTC status.

The aging population is more likely to buy laxatives with ease of use and dietary benefits in mind, but price may also be a purchasing factor. This Eckerd shopper ponders a sale-priced laxative item.

Laxative products are another category in which older people are looking for ease of use and dietary benefits. Bulk laxatives containing fiber remain the strongest segment, because they are easy to take and are said to be milder than the liquids, tablets, mints and gums. Sugar-free extensions have been added to these lines in recent months, to respond to consumers' concerns over their dietary intake.

Metamucil is currently trying to get approval from the FDA for a claim that it also reduces cholesterol levels. Category sales will undoubtedly skyrocket if the brand achieves this additional medical use.

Fleet Enema, a related health aids product, ranked No. 1 in unit volume in the Triple-A top 150 H&BAs list.



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Price opportunity seen in eye care

New cleaning regimens argue for expanded sections

Just 2 percent of items advertised by drug chains in 1988 were lens care-eye care products, reported Vereen & Associates.

Yet new product intros which added plus-business to the category helped raise sales 12 percent in 1988, reported IMS Pipeline data. With the constant proliferation of new regimens, it makes sense for drug chains to expand their lens care-eye care section, and to increase ads based on price.

Bausch & Lomb products accounted for 24 percent of the total lens care-eye care products advertised over 1989's first six months. That brand's Saline Solution for Sensitive Eyes ranked among the Triple-A top 15 H&BA items. CIBA Vision's AoSept, Allergan's Lens Plus saline solution, and Leeming's Visine were high-sales products that were heavily advertised by select drug chains.

To keep up with the constant introduction of lens care products and demand for new regimens, chains such as Kerr in North Carolina expanded displays to create one of the industry's largest. In New York, Duane Reade's Eli Cohen said the section is replanogrammed every six months at his chain.

This strategy, coupled with drug stores promoting themselves and their pharmacists as eye care specialists, can lead to additional sales and profits. If consumers follow proper maintenance schedules and disinfecting and cleaning regimens, with pharmacists counseling hard and soft lens wearers, industry watchers say sales for the category could double.

More good news for drug stores is the slow-paced introduction of disposable contact lenses, which threaten to rob sales from the care category. Originally perceived as a breakthrough in lens care, they haven't yet been fully developed, so people are still buying plenty of cleaning regimens.

Most frequently advertised eye-lens care brands

(First six months 1989, total newspaper & circular ads from a 46-chain base = 1,387)

Brand	% of total eye care products advertised
1. Bausch & Lomb	24.4%
2. CIBA Vision	13.6
3. Alcon	11.8
4. Allergan	10.7
5. Coopervision	7.6
6. Murine	6.6
7. Visine	6.1
Total of most frequently advertised brands	80.8
Other brands (including private label)	19.2
Total	100.0

Source: Vereen & Associates

Most frequently advertising analgesic brands

(First six months 1989, total newspaper and circular ads from a 46-chain base = 1,872)

Brand	% of total analgesics products advertised
1. Tylenol	14.9%
2. Bayer	9.5
3. Advil	7.9
4. Excedrin	6.6
5. Ecotrin	6.1
6. Anacin	5.9
7. Bufferin	4.9
8. Nuprin	4.3
9. Panadol	1.9
10. Midol	1.8
11. Medipren	1.5
Total of most frequently advertised brands	65.3
Other brands	34.7
Total	100.0

Source: Vereen & Associates

Caplets and ibuprofen fuel banner year for analgesic sales in chain drug stores

Analgesics had a banner year in 1988, with an 8-percent overall increase in units sold at chain drug stores, IMS Pipeline data reported. The caplet dosage form proved successful after several tampering incidents in the '80s caused a marketing shift away from capsules. The gelcap, another dosage form introduced by McNeil, has also gained consumer acceptance. Smaller than original capsules, it's said to be easier to swallow than tablets or uncoated caplets.

Since ibuprofen's switch from Rx to OTC status in 1984, this segment has enjoyed healthy sales performances. No wonder, since 82 percent of the adult population uses non-prescription headache remedies and pain relievers, reports Ted Gladson, of Gladson & Associates.

It is too early to tell whether recent findings from *The New England Journal of Medicine* will boost aspirin sales. New results state that taking one 325 mg aspirin tablet every other day can reduce risk of *first* heart attacks in healthy men. Previously, government officials said taking an aspirin a day may help prevent a second heart attack.

Since ibuprofen's switch from Rx to OTC in 1984, this segment has enjoyed healthy sales performances.

Over a six-month period ended June 1989, Vereen ad tracking data revealed that Tylenol products represented 15 percent of the total analgesic products advertised in selected chain drug circulars and newspaper ads. And, Tylenol Extra Strength Caplets 100s ranked as the No. 1 H&BA item in dollar sales in *Drug Store News'* Annual Triple-A survey.

Bayer Aspirin accounted for 10 percent of all analgesics products advertised, and Advil made up eight percent of advertised ibuprofens, Vereen's data showed. In both unit volume and dollar sales, these two brands were represented among the top 30 H&BA products in the Triple-A survey.

Excedrin, Anacin and Nuprin rounded out the Triple-A top 150 H&BA product list, as these brands were also promoted most frequently by chain drug stores.

Sinus, allergy preps give cough-cold year-'round strength

Cough-cold departments at drug chains are truly a year-round category, with sinus and allergy preparations rounding out the mix. The major trend in the department, as in years past, is the dominance of established Rx brands switching to OTC formulations. Line extensions of existing brands also contribute to growth in the category.

Vereen & Associates tracked the months of January, February, October and November in 1988 as heavy promotional times to advertise cough, cold and allergy products, although drug chains are realizing that advertising year-round leads to quicker product turns.

Rite Aid places cough-cold-allergy products on an endcap near the prescription counter, so pharmacists can recommend products for specific consumer needs.

With more Americans self-medicating, pharmacists' input in this area is of primary importance. Many retailers are strategically placing OTC formulations (previously available by prescription only) closer to the prescription department, especially using displays and endcaps during the cough and cold season, to prompt consumers to ask a pharmacist's advice.

The Dimetapp brand captured approximately 9 percent of all cough-cold-allergy products advertised in selected chain drug circulars and newspaper ads over a 6-month period, Vereen estimates. Once a prescription item, this OTC line ranked among the top 50 Triple-A H&BA products. Sudafed, Benadryl, Nyquil made by Vicks, and Alka Seltzer Plus made strong showings on both lists, as items predominantly advertised by drug chains and those that were high dollar sales and unit movers.

Most frequently advertised cough-cold-allergy brands

(First six months 1989, total newspaper and circular ads from a 46-chain base = 2,570)

Brand	% of total cough-cold-allergy products advertised
1. Dimetapp	8.6%
2. Sudafed	7.6
3. Benadryl	6.5
4. Vicks (including NyQuil)	6.2
5. Contac	4.9
6. Actifed	4.2
7. Afrin	3.5
8. Robitussin	3.4
9. Drixoral	3.2
10. Dristan	2.7
11. Comtrex	2.5
12. Sinutab	2.4
12. Alka Seltzer Plus	2.4
Total of most frequently advertised brands	58.1
Other brands (including private label)	41.9
Total	100.0

Source: Vereen & Associates

Triple A: Stationery-home office **TRENDS**

Stationery-home office dept. now 'teacher's pet' for chain drug buyers

It's back-to-school time, when stationery-school-home office departments earn their highest marks as profit centers for drug chains.

All through August and into September, and increasingly, starting in late July, chains pull out the advertising stops to remind students it's time to stock up for school. August is unquestionably the peak back-to-school advertising month. In fact, 16 percent of items advertised by drug chains tracked by Vereen & Associates during August 1988 were in the stationery category—the highest monthly percentage not only for stationery, but for any single category last year.

Their efforts are justified by category sales of $1.8 billion in 1988, a 10.5 percent overall growth rate and gross margins of 40-45 percent.

The home office segment is currently the "teacher's pet" of drug chain buyers and merchandisers, with 62 percent of them saying in a recent *Drug Store News* survey that home office is where they plan to invest over the next two years. However, more than two-thirds of executives in the same survey said they consider school supplies a "very important" part of the category.

This back-to-school season, some chains, such as Arbor Drugs in Michigan, are adding roll bags and knapsacks to their broad assortments of fad and fashion portfolios and notebooks, novelty pens and pencils, and "bread-and-butter" items like notebooks and filler paper. Many chains are cultivating the college trade with upgraded products to help students organize desks and computer work areas.

Home office supplies, which contributes 30.2 percent of department sales, continues to be a priority area of expansion for drug chains, who find that giving the segment increased exposure strengthens the whole department as a year-round business. Some operators, such as LaVerdiere's, are striving to build a stronger identity for the home office segment by pulling home office products out of the school-stationery mix and creating a separate adjoining section for home office. Increasingly, chains are offering computer supplies, such as computer paper, floppy disks and diskette holders.

To compete with specialty office supply megastores like Staples and Office Depot, which offer product in bulk for small-office consumers, drug chains are offering downsized bulk packs and using compact displays especially tailored to their more limited space.

Second-semester and tax time are growing in importance as advertising opportunities for drug chains' stationery-school-home office department. Some chains are lengthening their tax-time promotional period, starting in January and continuing to advertise organizational and record-keeping items through April. As seen in the accompanying graph, for the first six months of 1989, Mead, Stuart Hall, 3M, Crayola, Papermate and BIC—all represented in Triple-A—were among companies whose products were most frequently advertised in the category by drug chains that Vereen & Associates tracks. Reflecting the second-semester and tax-time opportunities, the stationery-school-home office category was most frequently represented in chains' advertising during January and February, tapering off to the lightest periods, May and June.

Most frequently advertised stationery brands

(First six months 1989, total newspaper and circular ads from a 46-chain base = 820)

Brand	% of total stationery products advertised
1. Mead/Cambridge	10.0%
2. Stuart Hall/Executive	9.9
3. 3M (Scotch)	6.5
4. Crayola	4.5
5. Papermate	3.8
6. Bic	3.1
7. Oxford	2.2
8. Krazy Glue	1.4

Source: Vereen & Associates

Give your bottom line a raise.

It's 7-11-21, our newest Scratcher™ It's designed to give your customers a kick. And you a lift.

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That's the minimum amount of additional profit you can earn for selling Game 28 (7-11-21) tickets as a partner in our on-going incentive program, instituted with Game 27 (California Match). Just meet your sales goal, and you'll receive an extra 1% in commission, from 6% to 7%, on total game sales.

To help you meet your goal you have the support of a strong player base. Over 30% of all adult Californians, more than six million customers, will be lining up to buy 7-11-21 tickets. And even more impressive, Scratcher sales are up 10% over the last six months.

7-11-21 goes on sale September 16th. And, to let people know how fun and exciting this newest Scratcher really is, we have a full schedule of 7-11-21 television commercials, radio, print and point of sale.

And what's good for your business, is good for California. Last year, the Lottery contributed over one billion dollars to public education in our state. That represents approximately 3% of California's annual public education budget.

So talk to your California State Lottery Sales Representative. And find out how you get a 22% raise on Game 28.

California Lottery
Scratchers

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Film deserves image as a top performer

Chain drug merchants have developed a real fondness for film, and with good reason. The category is a top performer, justifying its often-dual positioning at the checkstand and the photo department with quick turns and big revenues.

In *Drug Store News*' annual Triple-A survey of the top 150 general merchandise performers, Kodak and Polaroid film products accounted for the top five dollar sales performers, and 11 of the top 15. Film also took three of the top six spots in terms of item movement.

With the boom in popularity of 35mm photography in the last decade, it's no surprise that film has been a consistent growth market. But drug retailers deserve credit for keying in on the increasing demand with sharp promotional programs, successful quality-control efforts and a variety of creative marketing campaigns aimed at capturing the amateur shutterbug's loyalty.

The success of drug chains in holding on to a big chunk of the photofinishing and film business is no small potatoes. A study of American buying habits by the Photo Marketing Association showed that 24.5 percent of U.S. households use drug stores as their primary retail source for film. Equally important, nearly two-thirds of film buyers are women, the PMA reported.

A Photo Marketing Association study found that 24.5 percent of U.S. households use drug stores, such as this Rite Aid store in Harrisburg, Pa., as their primary retail source for film.

Last year, that translated into a 10.8-percent gain in film sales at U.S. drug chains, to $568 million. Gains were even better for chains with aggressive photofinishing and film marketing programs.

Film is both a beneficiary of and a contributor to the chain drug photofinishing business, which was up a healthy 9.4 percent last year. In addition, retailers like Eckerd Drug and Fruth Pharmacy have moved film out from behind the photo counter to self-service racks near the checkouts to trigger impulse buying.

Manufacturers have done their part to spur sales with traditionally heavy ad expenditures, making brand names like Kodak and Polaroid household names for generations and making Fuji one of the best-known brand names of recent years.

Interestingly enough, Kodak continues to garner the lion's share of chain drug print advertising efforts. In a study by Vereen & Associates for *Drug Store News*, Kodak comprised about half of all film advertising by drug chains surveyed in the first half of this year. By comparison, Polaroid accounted for 9 percent of the ads, and Fuji 6 percent.

Polaroid's 600 high-speed instant film was ranked the No. 1 performer in dollar volume among general merchandise products in drug chains.

Major new line entries from the manufacturers also helped trigger the sales gains. Among them: Kodak's new Kodacolor Gold, Polaroid's all-purpose OneFilm, Fuji's Super HR film and 3M's Scotch brand.

Most frequently advertised film brands

(First six months 1989, total newspaper and circular ads from a 46-chain base = 1,874)

Brand	% of total film products advertised
1. Kodak	49.5%
2. Polaroid	8.6
3. Fuji	6.0
Total of most frequently advertised brands	64.1
Other brands (including private label)	35.9
Total	100.0

Source: Vereen & Associates

Batteries are still riding that consumer electronics wave

The booming consumer electronics revolution continues to push battery sales to new heights, and drug retailers have been quick to seize the opportunity. Many chains have boosted shelf space for batteries significantly and added secondary locations, often in prime spots like front-end endcaps and checkstands.

The increasing demand for batteries to power the high-tech toys and games, computers and portable electronic gear that crowd modern life is evident in the numbers. Battery sales are growing in real terms at a steady clip of 12 percent a year in units, with well over 3 billion units expected to be sold this year, according to Duracell U.S.A. projections.

Chain drug buyers and merchandise managers surveyed by *Drug Store News* late last year named batteries one of the 10 hottest drug store categories of 1989, and projected that sales would boom ahead 17.6 percent in the nation's chain drug outlets this year.

The just-completed *Drug Store News* Triple-A Product Survey underscores the high marks buyers give the category, and gives credence to the aggressive promotional and cross-merchandising programs the chains have undertaken for batteries.

In unit sales, for instance, batteries accounted for seven of the top 15 individual SKU performances in the survey. They also grabbed four of the top 15 spots in terms of dollar sales by item.

All those spots went to the top two battery manufacturers, Eveready and Duracell. Eveready's AA Energizer four-pack ranked as the fifth-best sales performer by item among the top 150 general merchandise products, while Duracell's AA eight-pack took the No. 6 spot in dollar volume performance.

In a Vereen & Associates survey of battery advertising activity by some of the nation's top chains, those two brands garnered the lion's share of print advertising during the first half of the year, with Eveready the most heavily promoted. Kodak's relatively new battery line was third in the ad count, followed by Rayovac, GE's rechargeable and Panasonic's new line.

Buyers surveyed by *Drug Store News* in the late spring gave batteries high marks for margins—which many say can exceed 30 percent—vendor support, space efficiency and the level of chain-driven support they enjoy. That survey also indicated that many drug chains are continuing to add space and new locations in the stores for batteries.

Most frequently advertised batteries brands

(First six months 1989, total newspaper and circular ads from a 46-chain base = 979)

Brand	% of total batteries products advertised
1. Eveready	46.2%
2. Duracell	32.9
3. Kodak	13.8
4. G. E. rechargeable	3.5
5. Rayovac	2.8
6. Panasonic	0.8
Total of most frequently advertised brands	100.0

Source: Vereen & Associates.

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RECOTON THE PROVEN PERFORMERS

Most frequently advertised baby care brands

(First six months 1989, total newspaper and circular ads from a 46-chain base = 1,784)

Brand	% of total babycare products advertised
1. Huggies	13.7
2. J&J Products	12.5
3. Pampers	10.7
4. Luvs	7.3
5. Mennen	5.9
6. Diaperene	1.4
7. Desitin	1.3
8. Vaseline	1.1
9. Baby Fresh	1.0
10. Baby Magic	0.7
Total of most frequently advertised brands	55.6
Other brands (including private label)	44.4
Total	100.0

Source: Vereen & Associates

TRENDS | Triple-A: Baby Care

The second baby boom keeps delivering increased chain drug sales; '88 up 10.3%

The new baby boom is in full swing, as crowded playgrounds and newly reopened schools attest. Drug store retailers are riding the demographic bulge, beefing up both shelf space and promotional budgets for disposable diapers, wipes, bottles, lotions and other baby care necessities.

The extra effort goes hand-in-hand with the explosion in disposable diapers and other baby products in recent years, and it seems to be paying off. Drug chains enjoyed a 10.3-percent gain in sales of baby products last year, according to *Drug Store News*.

That was enough to boost drug store share of the baby care market in some significant categories. According to A. C. Nielsen, drug stores pushed their share of the disposable diaper business up 0.7 percent in 1988, to 10.3 percent of the total. Share of the baby oil category was up two full points last year, Nielsen reported, to 30.8 percent of the total.

The numbers are meaningful, because new mothers make loyal customers. Drug chains are locked in a struggle with supermarkets for the loyalty of this key class of shopper, and they're promoting baby products aggressively to win their business. Given the thousands of dollars new families eventually must spend on baby needs, the stakes are huge.

Much of the promotional and merchandising activity has centered on the key disposable diaper market, which has mushroomed into a multibillion-dollar retail juggernaut in the last decade.

Growing consumer demand and niche marketing has created a space-eating explosion of disposable brands in recent years, and many drug chains allocate 20 feet or more to the category. Diaper manufacturers have been quick to tap into various demand niches, leading to a constantly increasing number of SKUs and space allocation headaches for drug store merchandisers.

Among the newer entries have been gender-specific diapers from Luvs, Huggies with softer waistbands, and biodegradable diapers for the environmentally concerned.

Drug chains are competing with supermarkets in disposable diapers by offering as wide a selection as their shelf space allows, keeping prices competitive and promoting often. With their higher margins, private label diapers have become an important component.

The relative importance of disposables is clear, as shown by the Triple-A Product Survey. Three disposable diaper SKUs—including one entry from Pampers and two from Huggies—ranked among the top 15 H&BA products in terms of dollar volume in chain drug stores. Another baby care item, Q-tips, also scored high in both unit and dollar contribution.

The promotional efforts made by drug chains in the first half of the year certainly seem to make a difference. According to the Vereen Ad Tracking Service, Pampers and Huggies accounted for two of the three most heavily promoted baby-care brands in drug chains during the period.

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BEAUTY TRENDS

Hair care product segments show across-the-board sales strength, say chain drug buyers

Professional hair care products are still showing strong growth in many drug chains. Buyers say they are extremely profitable, draw traffic and create an "upscale image" for the department.

Several product segments are leading hair care growth this year at drug chains: styling aids, hair sprays, conditioners, coloring products and prestige-and value-priced shampoos and conditioners.

Chain buyers say styling aids and hair sprays are up 15 percent to 20 percent, while color is up 10 percent to 15 percent. Professional salon products are also climbing, although not as strongly as some buyers had anticipated. "Everybody has it now," said one buyer. "So many doors carry the professional lines that the growth couldn't remain as strong. Too much competition."

Hair care planograms are starting to be organized around price points in some chains. Professional brands often open the section, followed by prestige brands, moderate price bands and then low-end brands. More chains are considering merchandising hair care lines by brand family.

Buyers say that Redmond's Australian brands—TRE-Semmé, Infusium and Demert sprays—as well as Stiff Stuff are among professional's strongest sellers.

Mid-priced shampoos are being squeezed by consumers' apparent preference for budget lines such as White Rain and Aqua Net, or professional brands such as Aussie or Infusium, or prestige brands such as Salon Selectives, Vidal Sassoon, Jhirmack or Pantène.

Salon Selectives, nearly three years old, continues to sell well, with buyers noting that the brand's clarifying shampoo looks to be a winner.

This year's hottest new launch in hair may be the Rave line extensions from Chesebrough-Pond's. Most buyers interviewed said the four customized shampoo and conditioning formulas launched in the second quarter of 1989 are selling strongly.

The Rave line also imitates the Salon Selectives packaging. The products are color coded and numbered so consumers can easily choose the formula that addresses their specific hair care needs: a formula that adds shine to the hair, for example, or one that removes styling product build-up.

Epic Waves from Gillette is also doing well, buyers say, and some chains are reporting that the brand's successful launch is having some impact on the overall category's growth.

No one is saying the perm category is up significantly on sales. Indeed, some buyers say Epic Waves is growing at the expense of other brands, but a few chains say their overall perm sales are up about 2 percent to 4 percent over last year.

The new hair thickening shampoos are off to a relatively slow start in most chains. Revlon's new Nutrasome and Shulton's new Thrive are gaining trial, but aren't yet hot. Buyers feel it may take six months or a year for consumers to understand the positioning on these brands and for a loyal following to develop.

Folicure, the hair thickening line that has been on the market the longest, is showing growth at chains interviewed, and is one of the strongest brands in this category. Progaine is doing okay, but again, sales are slow and steady, not dramatic. Many chains merchandise hair thickening brands within hair care and men's grooming sections.

In styling aids, most buyers say Studio Line and Dep are their two strongest lines, particularly Pumping Curls, a Studio Line line extension.

Mousse sales are still flat, with alcohol-free formulas selling better than anything else. Spritzes may be flattening out, a few buyers tell us. Gels seem to be showing growth, though at a slower pace than last year.

In some chains, buyers are increasing the number of promotions they do on brand families: all Flex, all Dep, all Clairol or L'Oréal products advertised and displayed on an end at the same time. The sale is for the entire family of products as opposed to an individual item.

The idea of merchandising by family is now starting to spread to the on-shelf planogram.

A source for Duane Reade, which has been merchandising hair care in family sets for more than a year now, says it's worked out very well for them.

Several of the buyers we talked to this year also told us they are going to try this approach. "I intend to merchandise the new Studio Line shampoo in with the Studio Line styling aids and I think it'll do well," said Mike Con-

Continued on page 70

Hair care 1989 market share in various retail segments

	Food	Drug	Mass
After shampoo	43.4%	35.7%	20.9%
Shampoo	50.4	28.0	21.6
Hair color	20.2	53.1	26.8
Fixatives	44.5	30.3	25.2
Ethnic	23.7	57.4	19.0
Men's hair preps	41.7	38.7	19.6
Perms/waves	20.3	48.4	31.4
Mousse	42.7	32.8	24.5
Total hair care	40.6	36.5	22.9

*For the 12 month period ended April 1989

Source: Nielsen Marketing Research

*Hair care 1989 sales by trade class**

(In millions of dollars, with market share)

*For the 12-month period ended April 1989
Source: Nielsen Marketing Research

*Hair care product sales**

(In millions of dollars)

	**1987 Sales	% chng	**1988 sales	% chng
After shampoo	$ 690.3	2.3%	$ 760.5	10.2%
Shampoo	1,286.8	2.5	1,363.1	5.9
Hair color	515.2	8.2	539.7	4.8
Fixatives	617.3	9.7	648.1	5.0
Ethnic	265.8	2.4	288.0	8.3
Men's hair preps	134.7	(3.3)	133.6	(0.8)
Perms/waves	130.7	(2.3)	131.2	0.3
Mousse	161.0	(12.8)	147.7	(8.3)
Total hair care	3,802.0	3.1	4,012.0	5.5

*All mass outlets: drug, food and mass merchandise stores
**For the full year ending in December

Source: Nielsen Marketing Research

BEAUTY TRENDS

Hair Care Merchandising

Continued from page 69

ner, hair care buyer for Connecticut-based Arthur Drug.

The buyer for a leading discount chain said he'll also keep the Studio and Dep families together because he'll generate more add-on sales that way.

Although some buyers agreed that a family approach would probably create additional sales, they felt it might create operational headaches.

"What do you do when you get new products?", says one buyer. "Where do we put them? And what happens when you get a customer who likes to shop by category and may not know which manufacturer has a product in the category she's using?

"What if she's using a Studio Line gel now, but wants to price shop and switch to a lower-priced brand? It's going to be much harder for her to find other gels and then to do price comparisons.

"But my feeling is we are getting more incremental sales from the family approach, although I'm not sure how many may be true growth sales as opposed to [sales that are] just trading off."

Hair spray sales are surging again, with some buyers citing sprays as their strongest growth area in styling aids. Clairol's Final Net was often mentioned as one of the category's strongest brands, as were value lines Aqua Net, Style, White Rain and Breck. One buyer said he sees people buying four or five of these brands at a time.

In some sections of the country, hair color has become a very price competitive category, buyers report. One buyer said "Wal-Mart, K mart and Target were beating the hell out of color, selling all the top brands at or far below cost to build traffic."

However, the discount chains still carry a limited assortment of color products. Drug chain buyers said they were depending on their depth in their line to keep them competitive. "I have the full assortment," said one source, "and if a woman wants a choice, she'll come to my stores first."

In some chains, Preference, for the first time is outselling Clairol's Nice & Easy hair coloring. Other buyers tell us their growth for Clairol is still strong and it still has the "edge" in their stores, but that Preference seems to be growing at a stronger rate than before. Some attribute this to L'Oréal's advertising for Preference, which is starting to attract new users.

Earlier this year, Clairol launched a new temporary color line called Instant Beauty. Most buyers say it has done well, even in those chains that haven't promoted it. Now Clairol is rolling out a new men's color line called Option; the consensus is this will do well too, although it may take a while for sales to build.

Most buyers tell us that Just For Men is their strongest men's color line and that it is still showing strong growth. Several buyers say they like the Clairol delivery system on Option, with many chains planning to promote the line.

New hair care products

Product	Manufacturer	Quarter of launch	Description
The New Flex	Revlon	4th '89	New formulas, new image, new advertising. Also two new products: Ultra Style Shampoo and Ultra Style Conditioner for styling product users. TV and print ad support. SRPs: $2.39 to $2.59.
Head & Shoulders Dry Scalp Shampoo	Procter & Gamble	4th '89	Line extension, two formulas. Only shampoo positioned to treat dry scalp.
Form & Finish	Richardson-Vicks	4th '89	Hair spray in three formulas. Used on wet hair, it styles. On dry hair, it holds. $3.69.
Consort shampoo	Alberto-Culver	4th '89	Line extension: Two formulas— normal & thickening.
Studio Line Daily Express Shampoo	L'Oréal	3rd '89	First cleanser: A one lather formula that cleans and conditions hair especially for styling product users. $2.79 for 8 oz.
Bold Hold Shampoo & Conditioners	Alberto-Culver	3rd '89	Line extensions: two formulas to clean frequently styled hair.
Aqua Net Hair Spray	Fabergé	3rd '89	Line extensions: four new formulas.
Suave Hair Care	Helene Curtis	3rd '89	Restage supported by $17 million ad budget.
Expertisse	Wella	3rd '89	Eleven-SKU professional hair care line. Line includes three shampoos, three conditioners, two intensive conditioners and two styling aids. $3.5 million ad budget.
Ivory Free	Procter & Gamble	3rd '89	Line extensions: shampoo and conditioner.
Dep Everyday Shampoo & Conditioner	Dep Corp.	3rd '89	Dep's first cleaning products. Positioned to remove styling aid build-up.
Dep styling aids	Dep Corp.	3rd '89	New packaging.
L'Oréal Free Hold	L'Oréal	3rd '89	Repackaged with a new unique applicator: a high performance diffuser that spreads mousse evenly without stiffness or stickiness. Also two new formulas: Extra Volume and Ultimate Hold.
Flex Fortifyl Complex	Revlon	3rd '89	Leave-in conditioner for problem hair. Two formulas: dry hair and limp hair. Print and coupon support.
Max Factor Thick Again	Max Factor	3rd '89	Hair thickener and styler. 8-oz. liquid gel will retail for $6.
Clear & Clear Extra Moisturizing Shampoo & Conditioner	Revlon	3rd '89	Line extensions for damaged hair.
Ginza	Conair	3rd '89	First Oriental hair care line. Positioned as a high volume "salon line": five cleaning, conditioning and styling SKUs for all hair types.
Free Style	DowBrands	3rd '89	Four-SKU styling aid line aimed at teens.
Jheri Redding Awapuhi (ginger root) shampoo and conditioner	Conair	3rd '89	Line extensions, $3.99 SRP.
The Professionals	Amitée	3rd '89	New five-SKU line of hair treatments. Goupe Out removes styling build up; Goupe Therapy conditions; Hair Epoxy gel gives an ultra- stiff set; Thick Fixx is mending gel; and Hair Lifter is a penetrating volumizer.
Jheri Redding Salon Tropics Kiwi shampoo and conditioner	Conair	2nd '89	Line extensions, $3.99 SRP.
Glacial Fresh	Alaska Glacier Products	2nd '89	Five-SKU hair/skin product line made with pure Alaskan water. Forumulas also contain botanicals for cleaning and conditioning.
Option	Clairol	2nd '89	National rollout of men's hair color line. Two formulas: instant and gradual.
Rave Professional Formula Shampoos and Conditioners	Chesebrough-Ponds	2nd '89	Four customized formulas developed to treat specific shampoo and conditioning problems. Coded by colors and the numbers one through four. Eight SKUs total. $18 million ad support.
Aqua Net Extra Super Hold Unscented Super Hold Pro-Spritz	Fabergé	2nd '89	Line extensions.
Infusium 23 Permed/Color Treated Pro-Vitamin Shampoo Hair Treatment Spray Pumps	Duart	2nd '89	Line extension.
Salon Selectives Clarifying Cleansing Treatment, Deep Moisturizing Treatment, Hot Oil Treatment, Leave-In Conditioning Treatment	Helene Curtis	2nd '89	Line extensions.
Suave Daily Clarifying shampoo & conditioner	Helene Curtis	2nd '89	Major restage, line extensions.
Sleepy Hollow Botanicals	Carme, Inc.	2nd '89	New skin/hair care line. Has no animal by-products and was never tested on animals. First mass line positioned as being "cruelty-free." Seven SKUs.
Stiff Stuff Super Volumizing Mousse	Modern Research	2nd '89	Line extension.

Source: *Drug Store News survey*

BEAUTY TRENDS | Skin Care Merchandising

Drug chains eye new skin care strategies

Buyers say their best skin care sets are big enough to feature a broad assortment of product. That type of presentation, they say, gives consumers a wide variety of choices and options.

The fast-growing skin care category is in for some merchandising strategy changes, chain sources told *Drug Store News*.

Many major chains are looking to create a skin care center in their stores. Many are also experimenting with cross merchandising of Eterna and Almay franchised lines, along with Plenitude, Olay and Neutrogena in cosmetics as well as H&BAs.

Osco, Walgreens, Peoples, Perry and Eckerd Drug are among chains that are now testing or developing a variation of a skin care center. Duane Reade in New York City has already developed such a set, and is rolling it out to 12 stores with cosmeticians.

Many buyers say they think it makes sense to cross merchandise upscale lines like Eterna, European Collagen, Almay, and L'Oréal's new Plenitude in mass because that's where women traditionally think to buy skin care items.

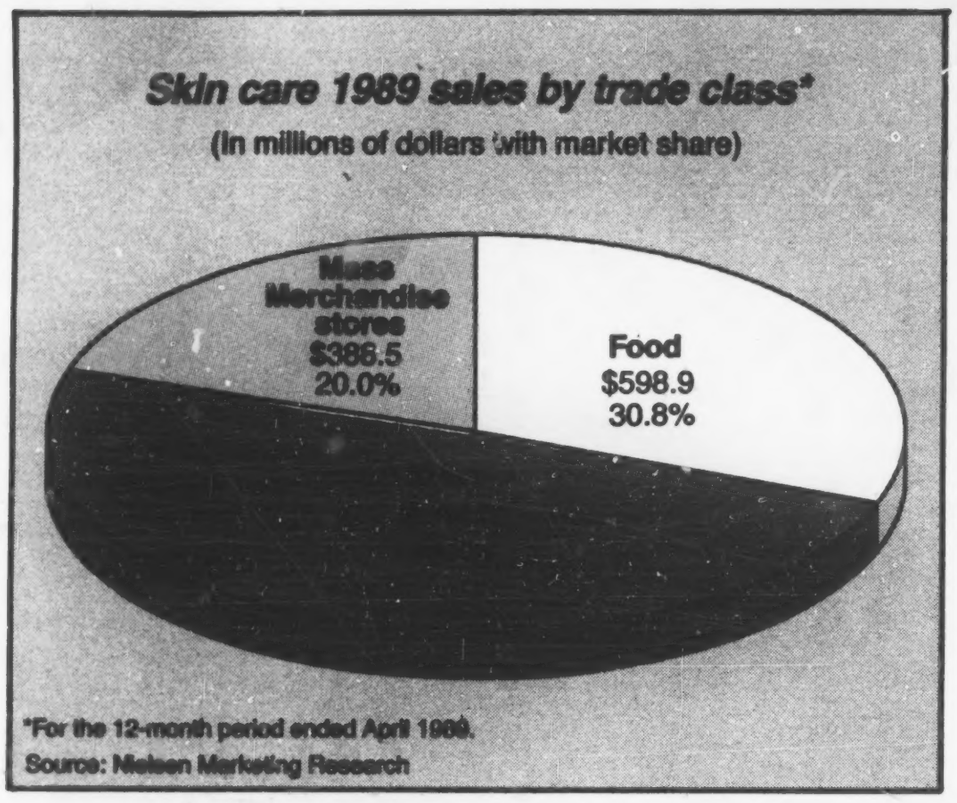
"Women go to the skin care aisles to get a skin care product," said one buyer. "They don't necessarily go to cosmetics to buy skin items, so we think we can improve turns on the higher-priced lines by giv-

Continued on page 74

New skin care products

Product	Manufacturer	Quarter of launch	Description
Yardley Soaps	Yardley of London, Inc.	4th '89	Introducing the first line of imported Yardley soaps as a Christmas gift collection. Three scents available in gift boxes, decorative tins and a variety of baskets.
Eterna "27" Intensified Skin Recharger	Revlon	4th '89	"Micro-activated" foam that "recharges" the skin by firming, lifting and tightening. SPF 15.
Nature Works Natural Soaps	Wella	4th '89	Formulated with palm and coconut oils & other natural ingredients. Leaves no film, deep cleansing and soothing to skin.
Dickinson's Transparent Cleansing Bar	E.E. Dickinson	4th '89	Glycerine soap with witch hazel and aloe. $1.59.
Sayman facial soaps	E.E. Dickinson	4th '89	Repackaged. Four formulas $1.39 to $1.49.
Softsoap Moisturizing Liquid Soap	Colgate Palmolive	3rd '89	Anti-bacterial formula plus four moisturizers. Competes with Dial Liquid Anti-Bacterial soap.
Softsoap Shower Gels	Colgate Palmolive	3rd '89	Line extensions: Two formulas— Deodorant & Moisturizing. $1.79 for 8 ozs.
Suave Hand & Nail Lotion	Helene Curtis	3rd '89	Formula contains keratin, aloe and Vitamin E. SRP$1.49.
Lanolin Plus All Over Body lotion; Ultimate Hand Creme; Eye Contour Formula; 24 Hour Moisturizing Face Cream	Hazel Bishop	3rd '89	Four skus.
Max Factor Skin Care Regimens: Moisture Equalizing, Moisture Rich, Ultra Rich	Max Factor	3rd '89	Relaunch & Reformulated. 11 skus SRF $5 to $8. Color coded for combination skin; normal/dry; very dry
MoistureWear	Noxell	3rd '89	Eye concealer with ultra-rich moisturizers.
Coty Emergency Facial Shower Off	Coty	3rd '89	For use in shower.
Korff Anti-Age Retard For Skin Ages 45 and Over; Anti-Age Retard Color Creme	Korff Inc.	3rd '89	Line extension: Color Creme contains Retinol. Six shades at $28.00. The Retard includes six treatment products. SRPs range from $29 to $90.
Resource Ultra-Sensitive Skin Care	dermEssence, Inc.	3rd '89	Seven-SKU line gentle enough for Retin-A patients. Cleans, moisturizes and protects. Developed by a dermatologist. SRPs: $5.95 to $22.50.
Korff Extra Pure With Microcaps Retinol Treatment Makeup	Korff USA	2nd '89	Treatment line combines color with Retinol treatment. Fashion image. Moderate prices.
Physicians Formula Vital Defense Moisturizers: Vital Defense Oil Free Lotion, Vital Defense Moisture Lotion, Vital Defense Moisture Concentrate	Physicians Formula (Tambrands)	2nd '89	Three-SKU line with SPF 15.
Physicians Formula Gentle Refreshing Toner Vital Lash Make-up Remover	Physicans Formula (Tambrands)	2nd '89	Line extensions.
Clean & Clear MoistureFirm Facial Cleansing Liquid	Revlon	2nd '89	Major relaunch with new packaging and two new products, including the first dual-action facial treatment that moisturizers as it firms. Also a no-soap cleanser.
Plenitude	Cosmair's L'Oréal Division	2nd '89	New 14-SKU skin care line. $15 million in ad support for fourth quarter '89, plus $20 million in 1990.
Eclipse Fade Fast	Eclipse Labs	2nd '89	New skin lightener with SPF 18.
Sleepy Hollow Botanicals	Carme, Inc.	2nd '89	New skin-hair care line. Has no animal byproducts and was never tested on animals. First mass line positioned as "cruelty-free." Seven SKUs.
Flower Girl Face 'n Body Mist	Riviera Int.	2nd '89	Eight scents imported from France. Can be used as light cologne, body lotion or facial spray.
Aquaderm	Baker Cummins Pharmaceuticals	2nd '89	New line of moisturizers that maintain and restore water to the skin. Three SKUs.
Aloe E Cocoa Butter	Alivio Products	2nd '89	Cream and lotion formulated for sensitive skin market.
Neutrogena Alcohol Free Antiseptic Cleanser	Neutrogena	2nd '89	Line extension.
Anti-Aging Firmagel	Revlon	2nd '89	Breakthrough formula tones, smooths and hydrates skin. SRP: $15.
Cabot's Clear Perfection Color Corrective Cosmetics	West Cabot	2nd '89	Cover up for skin imperfections. Eight shades.

Source: *Drug Store News* survey



Drug chains eye new skin care strategies

Continued from page 72

ing them this additional exposure."

Almost all major drug chains today also merchandise mass skin care lines by brand family, and some will even cross merchandise Neutrogena hair products in skin and vice versa if they have the space.

"It makes sense to merchandise by family," says Harco's skin care buyer Charles Monk. "We half-way do that in hair care too. We put all our shampoos and conditioners together by family because we've found that people like to buy hair and skin care products within the same family."

A buyer for one major deep discount chain said his stores will devote four to eight feet to Neutrogena in the hair planogram, plus another four feet in skin. The sales, he says, justify the space. "They advertise the line as a family," said this buyer, " and since their advertising has been so effective, we felt it made sense to merchandise it in both sets."

Many buyers also say they think the same type of strong family presentation will also make the Plenitude line stand out once it's incorporated into the mass skin care planograms. They feel it is so attractively packaged that its presence on the shelf "makes the overall skin care section look better." One buyer also said he likes the plastic unit shelf organizers that L'Oréal is shipping with the line.

He says the color-coded unit makes it easier for customers to shop the line. The blue code, for example, identifies all cleansing products, while pink highlights all moisturizing and special care products.

One buyer said he feels that when the products are displayed in this display unit, sales will be "tremendous" because the units have a facing which clearly explains what each product does.

Some chains are also merchandising skin care by price points just as in hair care.

One buyer said his new set puts all the higher priced lines first, then the mid-priced lines, the lower priced lines, and then products for problem skin such as acne.

New launch support adds fire to skin care—see page 76.

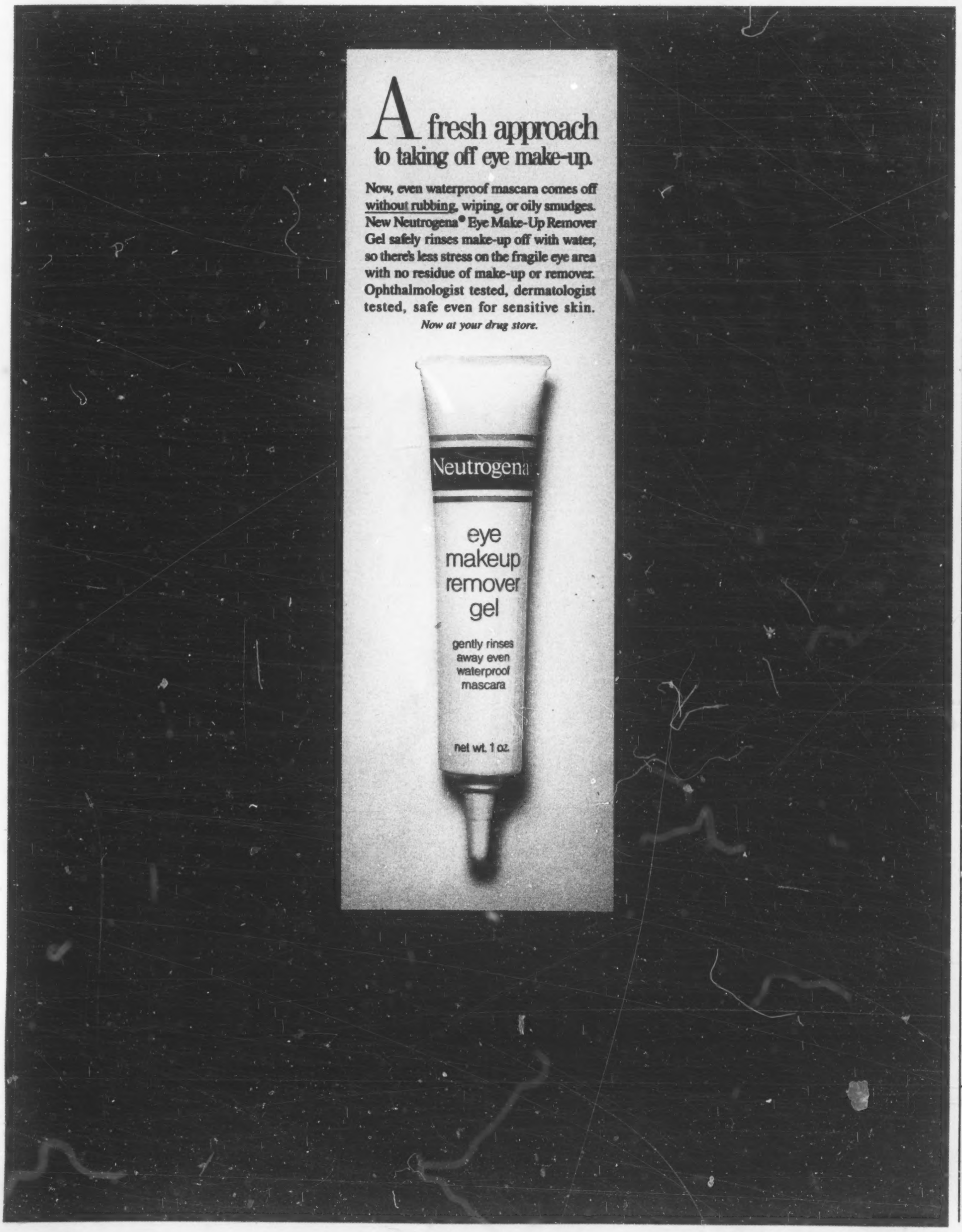
At Arthur Drug, a nine-unit chain headquartered in Hartford, Conn., management is testing what they call a "triple set" planogram for skin care. The set opens on the left with a 4-foot section for acne products, is followed by 8 feet for moisturizers, cold creams and hand and body lotions, and closes with a 4-foot year-round sun set on the top two shelves and a bath, shower, depilatory set on the bottom two shelves.

At press time, Arthur's skin care buyer Mike Conner said it was still too soon to tell if sales were up significantly in the test store, but he said he felt the new set would have to help sales because it was a much more organized approach to merchandising skin care.

He said he would like to have included the franchised lines like Eterna and Almay in the set, but he couldn't for lack of space.

More chains are also placing the bath and shower set much closer to skin care, and are also creating permanent year-round sun care sets adjacent to skin.

Many are also segregating ethical skin care lines like Lubriderm, Keri and Eucerin, away from mass lines such as Jergens and Vaseline Intensive Care. "We think it makes sense to do this," said one buyer, "because we think they are different customers."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BEAUTY TRENDS

Sun Care/Skin Care Merchandising

New sun care products

Product	Manufacturer	Quarter of launch	Description
Sun Spots	Sun du Jour	2nd '89	Line of adhesive-backed spot patches that change color to warn sunscreen users when their protection has worn off.
Cabot's Vitamin E Lip Visor	West Cabot	2nd '89	Tri-color band lip protector. SPF 20 plus Vitamins E and A.
Sun-Shy Towelette	WDM Brands	2nd '89	SPF 15. Adult and child formulas.
Sea & Ski	Fabergé	2nd '89	Line extensions. Major new ad campaign breaks.
Tan in a Can	Cosmetic Concepts	2nd '89	Eight-SKU line with aloe and tea tree oil, a natural plant extract used to treat skin irritations and sunburns.

Source: *Drug Store News* survey

Among the new sun care launches this year, Vaseline Intensive Care, Hawaiian Tropic's Sun Sensitive and to a lesser degree, Protecteur Gentil had the strongest sales.

Sun care products warm up chains' sales—at least when the sun's out

Sun care's peak selling season was winding down at press time, with buyers in most parts of the country estimating that category sales grew from 7 percent to 15 percent in their regions.

The Northeast was hard hit, though, by heavy rains during July which continued through August. Many East Coast buyers said sales started out strong and that tan accelerators sold particularly well at the start of the season before the rains fell.

Coppertone as a line has been very strong, with many buyers calling it their best line.

Hawaiian Tropic won raves at one Northeastern chain, which credited the brand's improved performance in part to a new distributor whose service was "excellent." Several sources also said Hawaiian Tropic's new Sunsensitive sun care products with moisturizers did well.

The new Vaseline Intensive sun care line has been the best new product launch of this year, most buyers say.

All the better known high sun protection lines seem to have done well, although some buyers anticipate a slowdown in high SPF sales. Many buyers said their best-selling high SPF was No. 15. "Consumers aren't going for the 25s, the 35s and the 40-plus SPFs," said one source. "People are looking to get at least a little tan, and we're actually seeing our tanning items selling better than our protection items."

Sources for West Coast chains, however, reported that they were, for the most part, still seeing more growth from protection lines than tanning lines.

At American Drug in Anaheim, Elaine Sartini, director of cosmetic marketing, said that West Coast consumers were more inclined to protect their bodies from the sun partly because they are exposed to it all year long.

"On the East Coast," she said, "people only get to enjoy the sun for a few months out of the year so it's understandable they'd be more eager to get a tan."

Among the smaller regional lines, most chain buyers who stock the Banana Boat line say that did very well this year.

Drug chains are focused on strongest new skin care brands

Among the newer skin care products this year, Plenitude seems off to a strong start in many drug chains. And Noxell's Clarion cosmetic skin care line, launched earlier this year, is continuing to do well.

Most buyers say that while they haven't had enough time to evaluate Plenitude's performance in line as part of the general skin care set, L'Oréal's introductory pre-packs for Plenitude, including the promotional trial size $2 prepack, "blew through" their stores.

The trial size pre-packs featured sampler sizes of the cleansing cream, the regular moisturizer and the skin firming-toning serum. Almost every chain that took the prepacks merchandised them in cosmetics.

Elaine Sartini, director of cosmetic marketing for American Drug Stores, says the Plenitude sampler pre-packs "flew" out of her stores. She also said consumers who bought the sampler have been coming back asking for more.

The Plenitude story, however, is an unusual one. The initial launch looks very promising, but sales are all coming from pre-packs primarily located in cosmetic departments. Plenitude will face its harshest test this fall when most chains will have finished working it into their mass skin care planogram.

Buyers say they are "heartened" by initial consumer acceptance of the line and hope it will translate into high volume repurchases once Plenitude goes in line and its introductory $15 million ad campaign breaks.

In its initial test stages, sources say Plenitude did very well in the in-line mass skin care section, but some cosmetic buyers still wonder whether it wouldn't do better or at least just as well merchandised with the L'Oréal color line in cosmetics.

The skin care buyer for an East Coast chain, with most of its stores in poorer neighborhoods, wondered whether lower income consumers would respond to the line, or whether they'd rather stick with more basic individual items like Olay or Lubriderm.

All buyers interviewed felt that more than ever this year, the success of brands depended on how well manufacturers educated clerks and consumers on their benefits.

At American Drug, Sartini had arranged for L'Oréal to supply all her stores with a 20-minute training tape on Plenitude, and she was planning a fall promotion on Plenitude that would permit high volume Osco and Sav-on stores to use professional models, hired by L'Oréal, to demonstrate how Plenitude should be used. Two demos would each last about four hours on high traffic days, probably on weekends.

In New York, Austin Drug was planning a similar demonstration with models who would be in the store showing consumers how to use the regimen in late August.

Many skin care buyers also

Continued on page 78

Skin care product sales*
(In millions of dollars)

	**1987 Sales	% chng	**1988 sales	% chng
Bath products	$ 199.5	10.8%	$ 222.8	11.7%
Depilatories	47.8	7.1	50.3	5.2
Face lotions/creams	452.3	3.3	518.6	14.7
Hand-body lotions	482.7	10.7	539.6	11.8
Chapped lip preps	69.8	6.9	71.2	2.0
Sun tan lotion-oils	300.4	12.2	348.7	16.1
Baby lotions	37.5	10.1	42.3	12.6
Baby oils	75.5	13.8	84.2	11.6
Total skin care	1,666.0	8.7	1,878.0	12.7

*All mass outlets: drug, food and mass merchandise stores
**For the full year ended in December
Source: Nielsen Marketing Research

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BEAUTY TRENDS | Skin Care Merchandising

Drug chains are focused on strongest new skin care brands

Continued from page 76

said they hoped to see more higher-end lines like Plenitude. One said he felt that higher end lines in skin care could boost dollar sales and profits just as the higher-end prestige and professional hair care brands did several years ago in that department.

Revlon is also beefing up its presence in the mass skin care category. They, however, have a marketing strategy that is nearly the opposite of L'Oréal's.

They have repackaged and relaunched the Clean & Clear mass line and added two new items positioned to compete against two category leaders: Olay, the No. 1 facial skin care moisturizer, and Neutrogena, the No. 1 liquid facial cleanser. Both are lower in price than their competition.

It's still early

The new package and the two new items, MoistureFirm Gel and Facial Cleansing Liquid, were just getting into most stores at press time and no ads had broken yet so it was hard to judge how they were doing. Revlon says it will spend $5 million on TV and print to support the launch from now through mid-November, and should spend $8 million to $10 million over the first 12 months overall.

Revlon also has a seven-minute training aid video available that explains the benefits of both MoistureFirm and the entire line.

Many buyers told us that tinted moisturizers and moisturizers with sun protection factors were doing well in their stores, especially the Neutrogena SPF tinted moisturizers.

"No one wants to wake up in the morning looking like their own mother," said one buyer, "and moisturizers with sun protection promise to help women avoid this fate."

Del's Rejuvia was also just hitting many stores at press time. Most buyers said it was too early to tell, but most said they thought it could do well. "Nice packaging," said one source. "And that will help it."

In facial lotions, many buyers said they were selling much more unscented product than they had in years past, and oil- and alcohol-free products were also doing well.

In bath, Calgon was often named as the best-selling brand, followed usually by Vaseline Intensive Care. Many chains that have the higher priced Vitabath line report that sales are quite good.

And Yardley soaps are doing very well, buyers say, even in chains whose overall bath product sales are slow.

Glycerine soaps sales glisten

Glycerine soaps, especially by Neutrogena, are selling well, buyers said. In New York, Duane Reade has just accepted a "knock-off" of the Neutrogena glycerine soap. The knock off, made by E. E. Dickinson, which also makes Witch Hazel, will be priced about $1 less than the Neutrogena soaps, and management thinks it should do very well in their stores. The source said having it in the store was a little like having a private label line because it gave Duane Reade another opportunity to give its shoppers price alternatives, but without resorting to a private label.

Many chains have expanded their bath sets and moved them closer to skin care or in some cases, cosmetics.

Skin care 1989* market share in various retail segments

	Food	Drug	Mass
Bath products	30.8%	48.3%	20.9%
Depilatories	25.4	58.2	16.4
Facial lotions-creams	24.2	57.1	18.7
Hand-body lotions	37.1	42.9	20.0
Chapped lip preps	36.4	44.7	18.9
Sun tan lotion-oils	26.9	53.9	19.2
Baby lotions	40.5	28.5	31.0
Baby oils	43.1	29.9	27.1
Total skin care	11.3	12.6	n.a.

*For the 12-month period ended April 1989.
Source: Nielsen Marketing Research

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TRENDS

Sunglasses Merchadising

Sunglass treatments for '90s include toned-down neons

Fluorescent yellows, greens, pinks and oranges that were the colors in sunglasses last year will be toned down and tailored for the 1990s, mass market sunglass manufacturers told *Drug Store News*. And, the color change is welcomed by chain drug stores, whose buyers this year reported neon shades and rubber frames as the hottest styles this summer.

Phil Kahn, vice president of Sunglass Products, said, said, "Opaque neon this year followed the trend of sports clothing with neon accents. Next year, crystallized, softer neons will take center stage."

The variation in neon buyers will see next year include Bonneau's Shockwaves line that boasts a "rear view mirror" aspect. Alice Meyer, product manager, said, "Two small mirrors are attached to the sides of the glasses so the wearer can actually see behind him," she said. Marc Orlinsky, senior-vp of VSI International, makers of Visual Scene, said, "rubber frames are here to stay through next year. They are very comfortable, You can sit on them, drop them, even leave them on the dashboard of your car, and they won't lose their shape."

Opti-Ray's vp-sales, Rich Allen, agreed and said rubber frames will need a slight variation next year to continue their popularity. Lectro Lites is their new line which combines neon lens clip-overs over solid colored sunglasses. Gordon Hallerman, Cool Ray's director of sales, predicted "second- and third-generation neons—toned down and bright colors" as next year's drug store winners, and its Fiesta line for 1990 typifies this trend towards toned-down neons.

At Bartell in Washington, Snyder's Drug Stores in Minnesota and Kinney in upstate N.Y., buyers reported strong sales for the neon brights this year. And, a buyer for a Southern chain said that even though he sold many pairs of this style this year, he wondered whether they were just a fad. Mirrored lenses and classic styles were the true leaders at this chain. "Sales are holding their own here," he said, "with our reorders remaining at the same level this year as they were last year." He attributed this to cloudy weather the South experienced this year.

Cleveland also hasn't seen much sun this summer, said Ken Fossaceca, marketing coordinator for the 21-store Medic Discount Drugs. Sales for sunglasses were flat here as well. And surprisingly, the rubber-framed glasses did "marginally well," he said, "but really didn't set the world on fire here." With Medic's older target audience, the clip-on styles by Foster Grant are a perennial favorite style.

Gerland's Food Fair, a 20-store food and drug chain in Houston, saw a jump in sales over last year. Curtis Hartin, director of nonfoods merchandising, explained that this year the company changed its pricing strategy. Last year, all sunglasses were priced at $5.99. This year, Hartin said, "we decided price wasn't a big factor guiding consumer purchases," and brought in a broader assortment at retail price points ranging from $4.99 to $17.99.

Most chains sell sunglasses year round, and usually merchandise the racks up front near the high-traffic checkout area and in the pharmacy. Peoples in Alexandria, Va., utilizes these two areas, said merchandiser Irv Trionfo. Between the months of May and September, two racks are merchandised at the front of the stores, he said, to correspond with monthly promotions on ad. After September, the racks are moved to the back of the store near the pharmacy.

Medic Discount Drugs takes a different approach and places the racks in the promotional aisle year round.

Foster Grant is introducing a new line in November especially for drug stores. Dan Rocha, design manager, said its Foreign Affairs line of handmade frames and imports from Italy are positioned for the more affluent customer. "They are specifically designed to be placed on counters in the cosmetics departments of drug chains," Rocha said. SRPs range from $36 to $40.

Other 1990s styles buyers will have to choose from include the Dwayne Wayne look, made popular by the character in NBC's Cosby spin-off *A Different World*. Called "Dwayne's" by industry executives, they feature clear lenses with flip-up/flip-down dark lenses.

New voluntary labeling system for nonprescription sunglasses

Label	Level of protection	Recommended uses
Cosmetic sunglasses	Blocks at least 70% of UVB and 20% of UVA radiation	Non-harsh sunlight activities (shopping; other around town uses)
General purpose sunglasses	Block from 60-92% of visible light; block at least 95% of UVB and at least 60% of UVA	Most uses in a sunny environment (boating, driving, flying or hiking)
Special purpose sunglasses	Block at least 97% of visible light; at least 99% of UVB rays and 60% of UVA	Activities in very bright environments (ski slopes, tropical beaches)

This voluntary labeling system, initiated by the Food and Drug Administration and the Sunglass Association of America, provides guidelines manufacturers can choose to adhere to when specifying how much UVA and UVB protection their sunglasses have. Those manufacturers who spoke with Drug Store News *have all phased this standardized labeling system into their product mixes this year.*

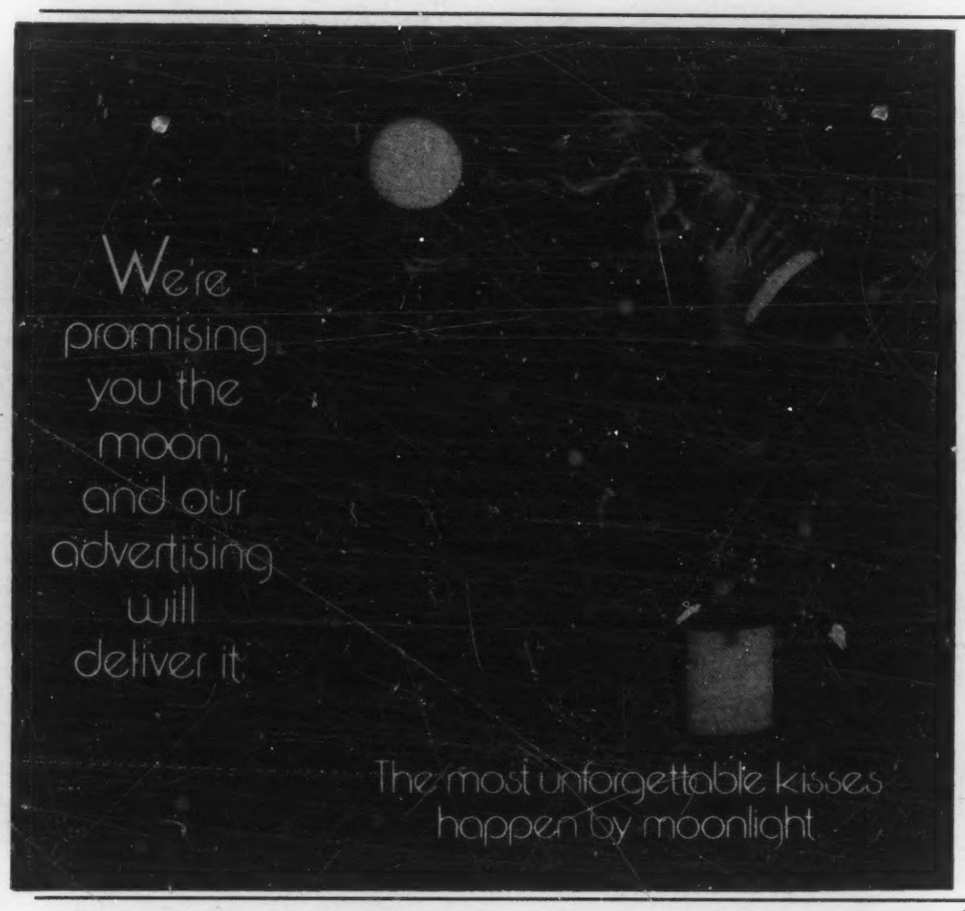
Some manufacturers have taken a second step to further educate the consumer on the amount of protection they're getting from their purchase. Bonneau, for instance, uses a "UV BUSTER" tag on each pair it sells, and VSI Intl., maker of Visual Scene, added an Eye Protection Factor (EPF) label, a number that shows the percentage of UVA and UVB light each pair absorbs.

Chain drug buyers told Drug Store News *they were generally satisfied with these standardized guidelines. One buyer said his stores shy away from selling sunglasses that offer relatively little protection.*

U.S. sunglass sales bright

	1984	1986	1988
Pairs sold (in millions)	145	175	180
Retail $ (in billions)	$1.02	$1.20	$1.35

Source: Sunglass Association of America



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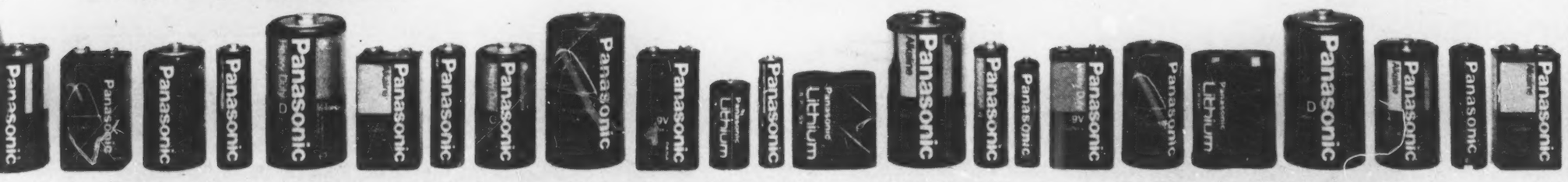

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FINANCIAL

Profit controls begin to take hold at FoxMeyer

DALLAS — The loss of the $300 million Wal-Mart pharmacy contract might be a blessing in disguise for FoxMeyer.

Though it swallowed a bitter pill (and lost 14 percent of revenue) when McKesson gained the giant discounter's drug business, the nation's third largest wholesaler is striving to control costs after years of sales building.

And the Wal-Mart business, as FoxMeyer president and ceo Bob King argued, failed to meet its profit goals.

Meanwhile, evidence that costs are being controlled came in the first quarter ended June 30. FoxMeyer Corp., including the Ben Franklin Wholesale Co., posted operating income of $3.3 million on sales of $718.2 million (in comparison, operating income was $2.2 million in last year's first quarter on $587.3 million sales).

FoxMeyer Drug provided operating profit of $7.2 million, but it was offset by a $2.5-million loss at Ben Franklin plus a $1.4-million loss from amortized good will, according to a spokesman at parent National Intergroup.

Hurt by high operating costs, and a variety of charges against earnings from an extensive restructure, FoxMeyer in fiscal year 1989 had recorded a $27.7 million operating loss.

"It's a sign of a slowly emerging recovery. [But] it's still very much a 'show me' situation," said Aldo Mazzaferro, an analyst with C. J. Lawrence.

The Wal-Mart loss, Mazzaferro agreed, "may actually help their margins in the future. It's a prestige customer, but it hurt their earnings."

He estimates FoxMeyer earned about .5 percent operating margin on the $150 million of inventory it delivered warehouse–to–Wal-Mart store. The dock-to-dock business was virtually without profit.

Aiming long-term for a 2.5-percent operating margin, FoxMeyer posted about a 1-percent margin in the first quarter and has a goal of 1½ percent by fiscal year's end, according to an NI spokesman.

At the annual meeting last month, NI executives said the first quarter's enhanced results stemmed from reforms, including a new computer-based inventory management system that is almost fully implemented. It allowed drug company first-quarter inventory to run $37 million under budget while sales were up 15 percent.

Also, FoxMeyer recently completed an extensive evaluation of each distribution center's customers and products. It created models showing the profit return of each customer and product to identify the least profitable and make adjustments region by region for better return on sales.

The Oklahoma City model was tested first and all DCs will be using their own models by December.

FoxMeyer also is cutting overhead by dropping 100 jobs, looking for more quantity discounts in buying, and computerizing order entry.

SDM parent notes 6-mos. 18% net hike

TORONTO — Imasco Ltd., parent company of Shoppers Drug Mart and Peoples Drug Stores, posted net earnings of $144.4 million for the six months, an increase of 18 percent over last year.

Six-months systemwide sales of consumer products and services in the company's tobacco, restaurant, drug store, retail and financial services businesses were up 5 percent, to $6.9 billion. Revenues were down 9 percent, to $2.6 billion. (Sales revenues are no longer being recorded for Grisanti's restaurants and the 325 Peoples stores sold under the reorganization plan, Imasco said.)

Med Shoppe net up for 3rd qtr.

ST. LOUIS, Mo. — Medicine Shoppe's net earnings for the third quarter and nine months ended June 30 rose 23 percent and 26 percent, respectively.

Third-quarter net was $1.9 million, compared with $1.6 million for the year-ago period. For the nine months, net earnings were $5.3 million, up from $4.2 million.

Total retail sales reported by franchised pharmacies rose 16.9 percent for the third quarter, to $111.2 million from $95.1 million. For the nine months, total retail sales were up 16.4 percent.

MARKET DIARY:

Largest Dollar Gainer	Squibb Corp.	$ 4.25	Advances	33
Largest Dollar Loser	Warner-Lambert	$ – 4.75	Declines	22
Largest Percentage Gainer	Mylan Labs	37.18%	Unchanged	5
Largest Percentage Loser	Dart Drug Stores	– 18.75%	New highs	13
			New lows	1

	Close 8/15/89	Close 8/29/89	Net Change	Percent Change
Drug Store News Index	2902.84	2920.72	17.88	0.62
Dow Jones Industrial Average	2687.78	2726.63	38.85	1.45
Standard & Poor's 500-Stock Index	344.71	349.84	5.13	1.49
N.Y.S.E. Composite	192.08	194.47	2.39	1.24
Value Line Index	275.20	276.60	1.40	0.51

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 8/15/89	Closing Price 8/29/89	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	21.25	22.75	1.50	7.06	28	0.16	0.70	24.75	8.00
OTC	Big B	BIGB	13.25	13.88	0.63	4.72	15	0.16	1.15	14.25	10.63
OTC	Dart Drug Stores	DDRGC	0.50	0.41	– 0.09	– 18.75	d	0.00	0.00	2.50	0.38
OTC	Drug Emporium	DEMP	12.88	12.75	– 0.13	– 0.97	19	0.05	0.39	16.25	6.25
NYS	Fay's Inc.	FAY	14.25	13.00	– 1.25	– 8.77	19	0.20	1.54	15.00	7.25
ASE	Genovese Drug	GDX.A	11.25	11.25	0.00	0.00	14	0.24	2.13	12.88	8.75
OTC	Leroy Pharmacies	LERYW	5.25	5.13	– 0.13	– 2.38	d	0.00	0.00	5.50	4.38
NYS	Longs Drug Stores	LDG	42.38	42.25	– 0.13	– 0.29	15	0.96	2.27	43.88	33.63
OTC	Medicine Shoppe	MSII	29.75	30.00	0.25	0.84	23	0.10	0.33	31.75	20.25
NYS	Perry Drug	PDS	11.50	11.63	0.13	1.09	d	0.00	0.00	13.50	5.25
NYS	Rite Aid Corp. (H)	RAD	39.50	39.63	0.13	0.32	17	0.82	2.07	40.75	29.13
NYS	Walgreen Co.	WAG	47.13	46.50	– 0.63	– 1.33	19	0.68	1.46	50.25	27.63
Wholesaler's transactions											
OTC	Alco Health Services	AAHS	27.00	27.00	0.00	0.00	20	0.00	0.00	30.38	22.50
ASE	Bergen Brunswig (H)	BBC.A	32.00	33.25	1.25	3.91	15	0.40	1.20	33.75	19.00
OTC	Bindley Western Ind.	BIND	8.63	8.63	0.00	0.00	16	0.00	0.00	9.50	6.63
OTC	Cardinal Distribution	CDIC	25.00	24.50	– 0.50	– 2.00	15	0.08	0.33	26.00	15.75
OTC	Durr-Fillauer	DUFM	20.63	19.25	– 1.38	– 6.67	19	0.24	1.25	23.25	13.38
ASE	Ketchum (L)	KCH	5.25	4.50	– 0.75	– 14.29	d	0.00	0.00	8.38	4.38
NYS	McKesson Corp. (H)	MCK	37.13	37.50	0.38	1.01	16	1.44	3.84	38.63	29.63
ASE	Moore Medical	MMD	13.75	13.75	0.00	0.00	d	0.00	0.00	15.63	9.00
NYS	Owens & Minor	OMI	12.63	12.25	– 0.38	– 2.97	19	0.26	2.12	15.88	11.38
Manufacturer's transactions											
NYS	Abbott Labs	ABT	62.00	63.38	1.38	2.22	18	1.40	2.21	66.00	44.13
NYS	American Home Products	AHP	98.88	99.88	1.00	1.01	15	3.90	3.90	103.00	76.38
NYS	Baxter International	BAX	23.50	23.38	– 0.13	– 0.53	17	0.56	2.40	24.38	16.25
OTC	Block Drugs Co.	BLOCA	35.25	35.38	0.13	0.35	14	0.64	1.81	36.00	28.50
ASE	Bolar Pharmaceutical	BLR	23.50	19.50	– 4.00	– 17.02	12	0.04	0.21	32.25	16.75
NYS	Bristol-Myers	BMY	47.75	49.38	1.63	3.40	16	2.00	4.05	52.13	41.13
NYS	Carter-Wallace	CAR	51.75	51.13	– 0.63	– 1.21	17	0.82	1.60	53.25	37.00
ASE	Forest Labs (H)	FRX	35.88	36.00	0.13	0.35	30	0.00	0.00	37.88	20.25
ASE	Halsey Drug	HDG	5.88	5.56	– 0.31	– 5.32	19	0.00	0.00	7.38	1.94
NYS	ICN Pharmaceutical	ICN	6.13	6.00	– 0.13	– 2.04	67	0.00	0.00	7.38	5.63
ASE	Lee Pharmaceutical	LPH	3.38	3.13	– 0.25	– 7.41	d	0.00	0.00	5.50	3.00
ASE	Leiner P. Nutrition	PLI	17.88	19.50	1.63	9.09	16	0.00	0.00	21.38	9.25
NYS	Lilly Eli Co.	LLY	61.25	62.13	0.88	1.43	21	1.35	2.17	64.25	40.88
NYS	Marion Labs	MKC	36.00	34.50	– 1.50	– 4.17	24	0.36	1.04	36.50	16.38
NYS	Merck Co.	MRK	75.75	74.13	– 1.63	– 2.15	22	1.80	2.43	77.88	53.50
NYS	Mylan Labs (H)	MYL	9.75	13.38	3.63	37.18	31	0.10	0.75	14.88	7.50
OTC	Newport Pharmaceutical	NWPH	3.88	4.00	0.13	3.23	d	0.00	0.00	6.63	1.75
NYS	Par Pharmaceutical	PRX	5.50	5.75	0.25	4.55	10	0.04	0.70	13.00	3.88
NYS	Pfizer Inc. (H)	PFE	65.13	67.38	2.25	3.45	15	2.20	3.27	69.75	50.00
NYS	Robins, A.H.	RAH	32.25	32.25	0.00	0.00	14	0.00	0.00	33.50	21.88
NYS	Rorer Group	ROR	44.13	45.00	0.88	1.98	22	0.80	1.78	48.25	34.75
OTC	Scherer RP Corp.	SCHC	14.75	15.50	0.75	5.08	20	0.40	2.58	33.38	12.00
NYS	Schering Plough (H)	SGP	74.25	77.38	3.13	4.21	20	1.80	2.33	78.50	51.25
NYS	Squibb Corp. (H)	SQB	110.63	114.88	4.25	3.84	24	2.00	1.74	116.00	60.00
NYS	Syntex Corp.	SYN	48.50	48.13	– 0.38	– 0.77	17	1.50	3.12	54.50	35.00
NYS	Thiokol Inc.	TKC	13.38	14.13	0.75	5.61	15	0.30	2.12	125.00	12.38
NYS	Upjohn Co. (H)	UPJ	36.88	38.38	1.50	4.07	19	0.88	2.29	38.38	27.00
NYS	Warner-Lambert	WLA	111.75	107.00	– 4.75	– 4.25	19	2.56	2.39	114.63	70.38
NYS	Zenith Labs	ZEN	1.25	1.50	0.25	20.00	d	0.00	0.00	2.75	1.13
Other retailer transactions											
NYS	Albertson's (H)	ABS	50.50	53.38	2.88	5.69	21	0.80	1.50	53.75	32.75
NYS	American Stores	ASC	70.75	70.25	– 0.50	– 0.71	29	1.00	1.42	72.50	49.13
NYS	Giant Food	GFS.A	32.00	34.13	2.13	6.64	20	0.50	1.47	36.25	20.13
NYS	K-Mart (H)	KM	40.00	43.63	3.63	9.06	12	1.64	3.76	44.88	32.00
NYS	Kroger	KR	17.75	19.13	1.38	7.75	d	0.00	0.00	59.00	8.38
NYS	Melville Corp. (H)	MES	49.38	51.75	2.38	4.81	16	1.30	2.51	52.63	33.13
OTC	Fred Meyer	MEYR	19.50	20.38	0.88	4.49	14	0.00	0.00	23.00	13.50
NYS	Penney, JC (H)	JCP	64.13	67.25	3.13	4.87	11	2.24	3.33	68.75	44.88
NYS	Smith's Food & Drug	SFD	23.38	21.88	– 1.50	– 6.42	21	0.20	0.91	24.75	20.50
NYS	Wal-Mart	WMT	40.75	41.75	1.00	2.45	26	0.22	0.53	43.88	28.75

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (x) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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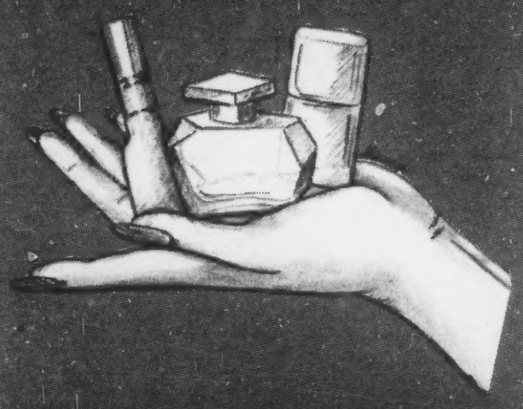
DRUG STORE NEWS

Vol. 11/No. 18 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Sept. 25, 1989

TOP OF WEEK FEATURES

Computers make strides in effective planograming

Drug chains are increasingly using computerized space management systems to add science to the art of setting shelves. Page 9.



Drug chains pursue service-generated cosmetics gains

Only a handful of the top chains staff their stores with trained cosmeticians, but their ranks are growing as the sales gains that are generated become evident. Beauty Trends, page 13.

LATE NEWS

• KANSAS CITY, Kan. — The sale of Wal-Mart's 14 Dot discount drug stores appears imminent. Market sources linked Jerry Gaddis, formerly with Dominick's Finer Foods' Jerry's off-price division and Gray Drug Fair, with the purchase. The stores are in Kansas City, St. Louis, Des Moines, Wichita, Kan., and Lincoln, Neb.

• BALTIMORE — Dilip Shah, a founder of Quad Pharmaceuticals, a subsidiary of Par Pharmaceutical, was ordered by a federal judge here to pay a $250,000 fine and perform 12 months of community service for paying an illegal gratuity to an FDA official.

• INDIANAPOLIS — Richard Morrissey, vp-store planning and presentation of Brooks Drug, is taking over as vp-marketing at sister company Hook Drug on Nov. 1. He replaces Mark Varnau, who is retiring.

Giant turns up D.C.'s Rx heat

By Susan Ball

WASHINGTON, D.C. — Giant Food, the toughest combo operator in this market, is turning up the heat in pharmacy marketing. The linchpin of its strategy: reduced prices on 200 top prescription drugs and a highly publicized prescription faxing service.

Moreover, the 146-store chain with 96 combos will soon test two frequent shopper programs, and is already testing one-hour in-store photofinishing.

These moves cut to the heart of drug store draws, and are bound to impact chains operating in Greater D.C. which are coping with problems of their own. Rite Aid, for one, is still integrating Gray Drug Fair stores it acquired. Dart Drug Stores recently filed for Chapter 11 protection. And Peoples is refocusing its efforts on mid-Atlantic markets.

In addition, Giant executives told shareholders at this month's annual meeting that most new stores, including a 58,000-square-foot store scheduled to open Sept. 28 in Columbia, Md., would be food-drug units. Four other combos are under construction, with sites including Huntsman Square in Fairfax County, Va.; Hunt Valley in Baltimore County, Md.; Mapledale Plaza in Dale City, Va., and at Sully Station Shopping Center in Centreville, Va. A freestanding drug store is set to open Oct. 4 at Adams Square Shopping Center in Arlington, Va., where a freestanding food store will open next June.

Four mid-store core drug aisles lead to pharmacy, highlighted with neon signs, in Giant Food combo in Greater D.C.

Giant, which reduced retails on 200 top branded prescription drugs by 15 percent during the second quarter, said it expects the lower prescription retails to be offset by increased volume. One Giant pharmacy's average prescriptions per week reportedly has increased about 25 percent since the promotion began.

Fax machines have been installed in all of Giant's pharmacies over the past several months, representing about a $100,000 investment, and full-page ads about the fax machine service, which the chain calls

See **Giant,** *page 57*

Revco's bondholders wrestle for control

By David Vaczek

TWINSBURG, Ohio — Revco bondholders are battling for control of the 1,888-store chain, convinced it has a promising future. They have attacked a reorganization plan proposed by Revco's board of directors, in an opening salvo of negotiations between the bankrupt chain and its creditors.

Noteholders protested they are being "frozen out" by the board's proposed plan, which was being shown to creditors last week, parties involved told *Drug Store News*.

The dispute centers on how much Revco common stock the noteholders will receive in exchange for their $800 million in notes, and who will eventually control Revco, participants said.

"This is all very bullish. It shows the equity committee feels there's value there," said a partner in a New York bankruptcy investment company which has purchased Revco notes.

"This is, on the part of the noteholders, a ringing endorsement of Boake Sells and management," concurred David Schulte, of Chilmark Partners, an advisor to the note-

See **Revco,** *page 57*

How chains are coping with post-LBO reality

First of a two-part series. Part One examines the current leveraged buyout environment, the compromises drug and food chains make, and their impact on management, strategies and competitiveness. Part Two will analyze winning strategies at companies that have undergone LBOs, and have helped these retailers renew business.

By James Frederick
(with research assistance from Susan Ball)

Focus on **LBOs**

In the gilded age of sky-high leveraging and junk bond financing, it has become a familiar scenario: a company's top brass take their firm private in a highly leveraged buyout, swapping public ownership and the equity base of the company for a mountain of debt. They are spurred by fear of takeover, a desire for independence from the short-term dictates of instant-results-minded shareholders, or maybe just plain greed.

The LBO leans heavily on bank borrowing and often on junk bond financing. To sell the idea to banks and potential bondholders, the firm's financial people churn up sometimes lofty projections about the company's ability to generate ever-increasing sales and cash flow to meet their new debt obligations and grow the business. They also promise to sell off non-essential parts of the business to help pay off the debt. Everyone, including the buyout leaders, is convinced the company can pull it off.

A well-connected investment banker schooled in the heady atmosphere of junk-bond financing takes the new

Continued on page 4

Weinstein steps down as buying group head

NEW YORK — Philip Weinstein, who joined Affiliated Drug Stores as a buyer almost 23 years ago, has resigned from his position as president of Affiliated/Associated Drug Stores.

Weinstein

Buying show photo coverage: page 3

Weinstein's resignation became effective Sept. 15, a few days after the combined organization held its fall buying show here at the Sheraton Centre Hotel Sept. 8-11.

"We accomplished a great deal at Affiliated, and I believe we were instrumental in the success of many of our

See **Weinstein,** *page 57*

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NEWS IN BRIEF

Ike's targets Little Rock

MEMPHIS — Ike's, Super D's deep discount division, plans to open a new store with pharmacy in Little Rock, Ark. in mid-November. Another Ike's is scheduled to open around next April here, which will bring the total of Ike's stores in Memphis to four.

Wellby, Shop 'n Save pick Rx computers

PORTLAND, Me. — Wellby Super Drug Stores, a division of Hannaford Bros., has selected the Synercom Pharmacy System hardware and software for its 40 locations and for Hannaford's 19 Shop 'n Save supermarkets with pharmacy in New England. The system should be installed in all 59 stores by the end of this year, said Margaret M. Urquhart, Wellby president.

Bindley Western moves to settle probe

INDIANAPOLIS — Bindley Western Industries agreed to plead guilty to three charges and pay a $500,000 fine in order to settle a federal investigation begun in 1985. It also said it would accept vicarious liability for the acts of two former company officers, who pleaded guilty to criminal charges in federal court in Atlanta in 1985, including receiving more than $1 million in kickbacks from vendors.

Bindley pleaded guilty to two charges of mail fraud and a charge concerning "technical" misreporting of sales of three bottles of pharmaceuticals in routine reports to the Drug Enforcement Administration.

Drug Emporium files debenture offer

COLUMBUS, Ohio — Drug Emporium recently filed for its proposed issuance of $50 million of convertible subordinated debentures due 2014. The prospectus also provides for the purchase by the underwriter, Goldman, Sachs & Co., of an additional $7.5 million of the debentures to cover any over-allotments. Proceeds from the offering will be used to repay outstanding bank debts and to provide additional funds for working capital and other corporate purposes, the deep discounter said.

Pay Less creates PR position

WILSONVILLE, Ore. — Pay Less Drug Stores has hired Peter Sommerfeld to fill its new position of public relations director. Sommerfeld will coordinate charitable activities, strengthen Pay Less' identity and handle media relations. He previously was special projects director for United Cerebral Palsy of Northwest Oregon.

Arbor plans Ferndale store

TROY, Mich. — Arbor Drugs plans to break ground in early spring for a new 11,000-square-foot freestanding store on Nine Mile Road in Ferndale, scheduled to open next fall.

Staples leasing to Mail Boxes Etc.

WOBURN, Mass. — Staples, the 32-store office superstore chain, has agreed to lease 585 square feet of space in a store here to Mail Boxes Etc., (MBE) a postal, communications and business services network.

MBE will provide private mail box service to individuals and small and home-based business owners. The MBE center will also handle packing and shipping through UPS, Emery, DHL and the U.S. Postal Service, as well as film developing, stamps, Western Union, money orders and instant passport photos.

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Field resigns from McK; long-term impact unclear

By Pamela Meek

SAN FRANCISCO — Impact on the nation's largest drug wholesaler is still unclear following the unexpected departure of McKesson ceo and president Thomas Field Jr.

Although McKesson sources and industry analysts said Field was a dynamic and hands-on leader at McKesson, most agreed that much of the overall company strategy had been, and probably will continue to be, dictated by the board of directors.

Currently, McKesson is offering "no comment" as to Field's successor, but the company is apparently looking both within its own ranks and beyond. At McKesson, the four executive vice presidents who were directly below Field and are possible candidates for his job are Rex Maulson, Alan Seelenfreund, John Wheaton and Kenneth Hicken. Yet analysts point out that in the previous hiring instance, McKesson went outside the company to snare Field away from his post as president of American Stores Co.

Field left McKesson abruptly this month after what the company said were differences between the executive and the board "over management philosophy and the future direction of the company." Field had been with McKesson since August 1984 when he joined the wholesaler as its president and chief operating officer before becoming ceo in July 1986. He was then named McKesson chairman, president and ceo just last summer. Former McKesson chairman, ceo and president Neil Harlan—who has remained on the company's board—has temporarily resumed the leadership role.

Field

Possible causes

While McKesson has offered no details on the "differences," industry observers said there were a few key points that could have led to Field's departure:

- A dispute over the fate of third-party prescription processor PCS. Just last month, McKesson announced it would either sell its 86-percent stake in the subsidiary or purchase the remaining interest. Because of the conflict between McKesson and PCS, the drug wholesaler had been under industry pressure during the past year to take action regarding the prescription processor's less-than-AWP reimbursement levels.

"My best bet, is that it was that situation (PCS) which was the last straw. . . and it was somehow part of the reason for his [Field's] departure," said Donald Hultgren, vp and analyst with Raymond, James and Assoc. Yet as Hultgren and others pointed out, the PCS situation was probably just one area of disagreement between Field and the board.

- Field may not have been able to develop a corporate strategy to sustain and build McKesson that met with board approval, offered Goldman Sachs analyst Paul Farrell.

Departure's impa

However, any disputes between Field and the board were kept quiet, and most analysts agreed they were surprised by the departure. While a long-term impact of the eventual executive change is possible at the company, sources said the short-range impact is expected to be minimal because the company operates under a long range strategy and each division is fairly autonomous.

Additionally, observers said, it has been more Harlan and the company's board of directors than Field who were primarily responsible for the recent refinements and divestitures that have strengthened McKesson.

Although the company once had numerous divisions, McKesson has turned its attention in the '80s toward just core businesses.

Cosmetics/H&BA in spotlight at Ross

NEWARK, Calif. — Cosmetics and H&BA are taking center stage at clothing off-price chain Ross Stores' new prototype.

After two years of selling cosmetics and H&BA, Ross now uses them as an important part of an intentionally

Merchandising Spotlight

upscale presentation.

In the prototype, attention is immediately focused on the two categories, positioned in the front center of the store between young mens and womens apparel departments.

Store design

Dropped track lighting, gold-trimmed glass display cases, compact gondola units, multi-tiered tables and promotional fixtures all combine to show off the products and the department. Unlike the chain's initial foray of 500 SKUs, the new prototype is generally better stocked and lines are more complete.

Within glass cases, which include raised corner displays, are higher-end cosmetics like Glycel, Lancome and Clinique, and fragrances such as Polo, Poison and Gucci. Directly behind this fully-serviced area, Ross stocks fragrances like Stetson, Anne Klein, Jovan and Chaps, along with the store's selection of generally professional, salon-formula hair care products. Here, Ross carries brands such as Paul Mitchell, Stiff Stuff, Aussie and Infusium in a wide range of formulas and sizes.

Low-end cosmetics are then located directly beyond the hair care gondolas and are merchandised along two wall partitions.

Ross' prices

Almay nail enamel $2.20
Stetson cologne, 1.0 fl. oz., $5.35
Infusium Pro-vitamin shampoo, 16 oz., $5.50
Stiff Stuff styling gel, 6 fl. oz., $3.00
Clarion protective moisturizer, 3 fl. oz., $6.00
L'Oréal Formula Riche mascara, 0.5 fl. oz., $3.20
Almay Moisture Balance makeup, 1.25 fl. oz., $4.00

Woolworth Express set to break into NY market

NEW YORK — Woolworth's first Woolworth Express store in The Big Apple was set at press time to open Sept. 18 in Woodside, Queens.

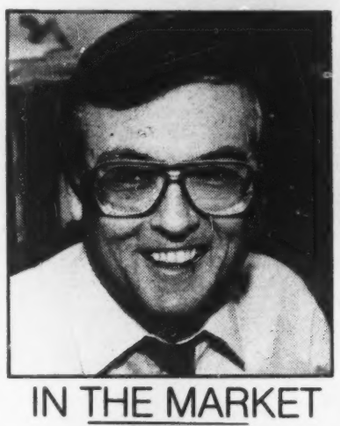
Hank Von Speegle, coordinator of store planning, told *Drug Store News* "we're building on existing markets and expanding into the New York market." The chain hopes to open three more stores in New York this fall—two in Brooklyn and one in Manhattan, on First Avenue and 15th Street.

Woolworth Express is Woolworth's 6,000-square-foot prototype that emphasizes a tight assortment of H&BA, OTC products, stationery, greeting cards and candy. Von Speegle said the company hopes to operate 27 stores by the end of the month. Currently, the stores are in operation in San Francisco, Los Angeles, San Antonio, Chicago, and Detroit.

The Woodside store will be the typical 6,000 square-foot format, but Von Speegle said the merchandise mix "will slant toward city merchandise for the local neighborhood."

OPINION

About those Dave Pinto meetings



IN THE MARKET
BRUCE BUCKLEY

Dave Pinto is no friend of mine. In fact, he is an active competitor. We've locked horns in the chain drug newspaper arena ever since I joined *Drug Store News* almost a decade ago. We disagree on many issues.

Yet the innuendos that recent articles have raised concerning an organization of chief executives of some leading retail and manufacturing companies that he reportedly organized about two years ago seem off-base.

According to reports in the *Wall Street Journal* and *Investors Daily*, the "elite" group, which included top executives of some competing retail companies, met secretly on at least three occasions to discuss such issues of mutual concern as pollution control and narcotics abuse.

Unusual as this loosely organized group may be, there is little question in my mind that its participants had no nefarious motives in meeting on these occasions. Though I was of course not invited to attend, the cumulative savvy of the executives who reportedly were there is enough to dispel in my mind the possibility of competitive hanky-panky. It is ludicrous to think that pricing or any other forbidden subject ever came up at these meetings.

These executives do not deserve the scrutiny of the Federal Trade Commission or any government regulatory agency, which *Investors Daily* suggested might be an outcome of these meetings.

Having said that, I'd like to go a step further.

The cumulative savvy of the executives who reportedly were there is enough to dispel. . . the possibility of competitive hanky-panky.

Someone asked me at our REX Awards Dinner Friday night how *Drug Store News* would approach organizing a group of industry executives to meet on issues of common urgency, which is an exemplary thing to do.

In fact, *Drug Store News* has sponsored events that have brought together executives, often of competing retail and manufacturing companies, to exchange ideas about the business we cover. We consider such forums part of our job as a publication that seeks the free exchange of information and ideas.

What makes our efforts different from the meetings that reportedly took place under Dave Pinto? We invite all comers. We believe in giving free access to everyone, because we know from long experience that there is no way that even the most jealously guarded secrets can remain under wraps for long.

From our annual REX Awards dinner to our seminars, our guiding principle is first-come, first-served. Whether Dave Pinto succeeds or not in escaping the difficult spotlight he currently finds himself in, we intend to just go on doing our job: acting as an objective information conduit for the entire industry and not just an elite few.

Clerking, with care, on the front line

THE HUMAN SIDE
AL HELLER

How would you like to employ a drug store clerk with the commitment and presence of mind to handle this exchange. She is staffing the only front-end register open at the time in Revco's Solon, Ohio store, when an older man approaches her to buy merchandise.

She: Do you have a senior citizen's card?

He: I'm 60.

She: I think you have to be 62 to get the discount.

He: Thanks for nothing.

She (chagrined): You don't look 60. (smiling now) How's that! Come back in two years.

He: You don't think I look 60. That's why you asked?

She: Customers sometimes get mad at me if I don't ask.

He: I'll probably forgive you by the next time I come in.

She: Here's your change. Have a nice day.

Meet Chrissy Visocan, who charmed her way out of an embarrassing situation while trying to qualify a customer for a possible 10 percent discount. Think clerking isn't tough? Leave your desk for half a day and face your customers. See if you do as well as Ms. Visocan, who by now has returned to Ohio State University, where she is a junior studying pharmacy, and has expressed plans to transfer to another Revco near campus.

Follow this series of exchanges and see how your clerks match up being goodwill ambassadors for your stores:

Man pays for merchandise, holding motorcycle helmet.

She: Are you on a motorcycle today?

He: Yes

She: (rings up sale) Thank you. Be careful.

He: I always am.

Woman pays for merchandise, holding infant.

She: (to infant) Hi. Hi. (to mom) Does she talk yet?

Mom: No, she won't show anyone she can.

At end of sale, she puts child's sun hat on, and lets her hold the small bag and receipt.

Chrissy Visocan: *goodwill ambassador.*

Frazzled mom with two active boys heads to register. One boy holds Wiffle bat and ball, and won't relinquish it when the mother asks. Ms. Visocan needs to scan it.

She: Can I have it? I'll give it right back.

He hands it to her.

Elderly lady places two bags of potting soil on counter.

She: Planting a garden?

Shopper: Just some house plants.

She: What do you grow?

Shopper: Just some cactus. My husband knocked one over last night.

She: He didn't stick himself, did he?

Shopper: No.

She: Thank you.

Man heads to register wearing T-shirt with writing on front that says, "Where is Cave Creek, Ariz.?" She asks. He turns around, shows back of shirt, which reads, Who cares? Then he tells her: "15 miles north of Phoenix. All the people just read the back."

As I write this, I know there's one lucky store manager smiling today.

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TRENDS

Computers make strides in effective planograming

Space management systems promise easier, profitable category control

By David Vaczek

NEW YORK — Drug chains are increasingly using computer space management systems to add science to the art of setting shelves.

With their relative ease of use and ability to put an array of relevant data and analytical power at the planogramer's fingertips, systems such as Logistics Data's Spaceman, and Information Resources' Apollo are elbowing aside manual-intensive methods.

They loom as useful tools for "category management"—using sales and market information to produce targeted, enticing and productive sections.

Indeed, category management has become more important, with retailers facing diminished opportunities for sales growth through market share gains or inflation.

"We want to know if the products are paying the rent for the space we give them," says Jeff Garrett, space management manager at Kerr Drugs, explaining why Kerr bought a Spaceman system this year.

At least 10 drug chains have purchased their own systems in the last two years, and others say they are investigating them, according to a *Drug Store News* survey augmented by phone interviews.

Many other chains are working more closely with vendors who own shelf management systems. Chains pick "category captains" with whom they feel comfortable and jointly build the planogram using the vendor's category expertise and their own sales data and preferences.

Few drug chains can claim meaningful results yet. But they expect the same pluses gained by the grocery trade, where shelf systems are widely used. The systems' ability, for example, to quickly create a planogram with the needed packout based on demand data makes it easier to create efficient up-to-date sections.

Powerful tools

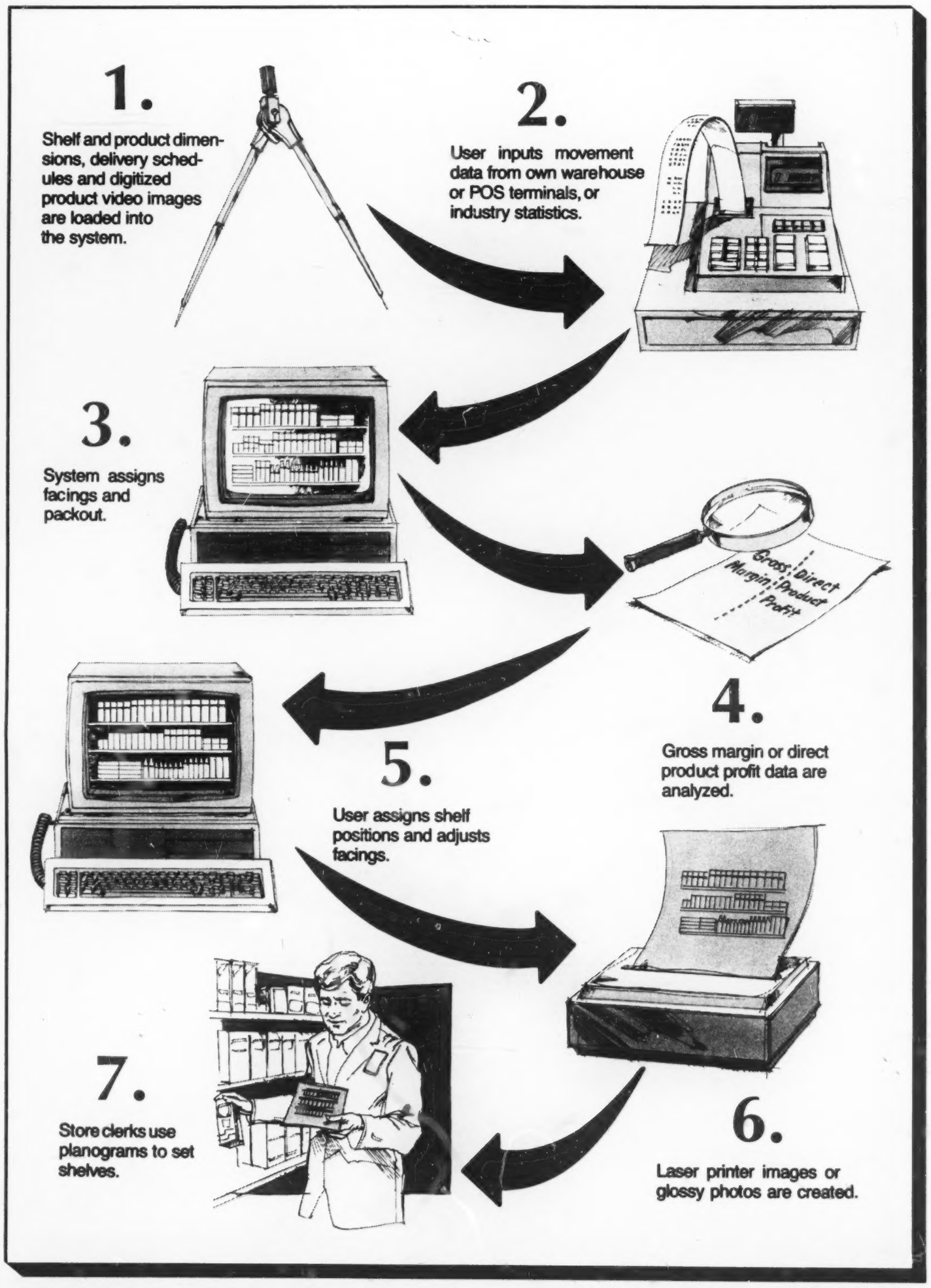
Space management systems are powerful tools in that they perform "what if" calculations similar to an accountant's spreadsheet program.

Data on shelf and product sizes and store delivery schedules are put in. The user can then enter data on actual or projected sales, and the program calculates facings and packout needed to meet demand for each category item, and render the proposed planogram on the screen.

The user can see the impact of his decisions on criteria such as inventory and gross margin or profit, and manipulate the layout for varied results.

The most obvious advantage is that the planogramer can forego setting actual shelves with products to serve as prototype sets, the method most drug chains use today. On-the-spot analysis lets the user keep decisions in line with performance criteria.

Continued on page 11


1.
Shelf and product dimensions, delivery schedules and digitized product video images are loaded into the system.
2.
User inputs movement data from own warehouse or POS terminals, or industry statistics.
3.
System assigns facings and packout.
Gross Margin
Direct Product Profit
4.
Gross margin or direct product profit data are analyzed.
5.
User assigns shelf positions and adjusts facings.
6.
Laser printer images or glossy photos are created.
7.
Store clerks use planograms to set shelves.

Categories most frequently planogramed by chains using own shelf-set programs

(Percentage of respondents)

Cough/cold	62%
Deodorants	59
Analgesics	59
Shampoo	41
Stationery	21
Other categories*	45

* Categories cited include other H&BA household chemicals, auto, candy, pet supplies, batteries and hair care

Source: *Drug Store News* survey

Many chains share performance data with vendors to create planograms

(Percentages of chains indicating type of data shared)

Source: *Drug Store News* research

Chains are buying own space mgt. systems

Drug chains have started using their own space management computer systems, and the use will grow, a *Drug Store News* survey on space management shows.

Twenty-nine high-volume chains, including 15 of the top 20 in sales, responded to the survey.

Eight chains said they have purchased space management systems; seven own Spaceman by Logistics Data and one owns Information Resources' Apollo. The systems have been owned an average of nine months and only one chain has owned a system for more than two years.

Of those not owning, 43 percent said they have tested software themselves or with a vendor, or are actively investigating systems.

In-house systems aren't fully functional. Only half of those owning systems have a complete database of item dimensions. And only 50 percent said they are downloading without manual input either dimension data or sales data into the system.

Eighty percent have used vendors' shelf set services.

Respondents indicated that many categories are being planogramed with space management, particularly H&BA. Some of these are with vendors' systems, for which the chains provide performance data.

There is strong interest in vendors' space management services. Eighty percent said they've used vendors' shelf set services. Of total respondents, almost 60 percent said they "have more confidence" in the vendor-supplied services. Almost three-fourths said they provide vendors with product movement data, and about half said they give gross margin or sales data.

Fifty-eight percent said they depart "extensively" from the vendors' shelf-set proposals.

Store Automation TRENDS

Computers making planograming more effective, profitable

Continued from page 9

Despite this computing power, section creation with shelf systems requires many judgment decisions that insure the finished layout will be as much a product of intuition as logic, chain merchandisers agree.

The user, for example, must decide on the merchandise mix and on shelf location.

After a section is set based on unit movement data to insure the right packout, the user then makes adjustments based on profit data, perhaps adding facings for high-margin items. Those would be judgment decisions. If higher demand causes packouts to exceed shelf space,decisions on dropping items or reducing facings are needed.

Retailers rank benefits of electronic shelf management

1. Reduced time/labor for shelf sets
2. Easier resets
3. Increased unit/dollar sales
4. Increased profits
5. Increased return on inventory investment
6. Reduced out-of-stocks

Source: *Drug Store News* survey

"No computer can give you the aesthetics of what a good hand-done planogram can do," says Steve Lund, assistant vp-merchandising/marketing, Perry Drugs. "You let the computer do its raw calculations. Then you go in and fine-tune. Then, re-run the financial again to see if it's skewed off by that much," he added.

Chains' approach to space management vary:

- Eckerd agreed this month to buy an Apollo system and expects to have planograming well under way within six months, says Bill Campbell, director of merchandise administration.

The chain will load sales data collected at POS from 200 stores into the system, avoiding the need for manual input. A planogram specialist will work as a consultant to buyers to initially create basic planograms with typical footage. Eventually, the system will be used to create multiple planograms for categories which have multiple shelf sizes, Campbell said.

- This year Perry Drugs began a program in which Perry provides sales data to key vendors who use their own space management systems to analyze the information and jointly develop sections with Perry. The chain won't buy its own system soon, said Lund.

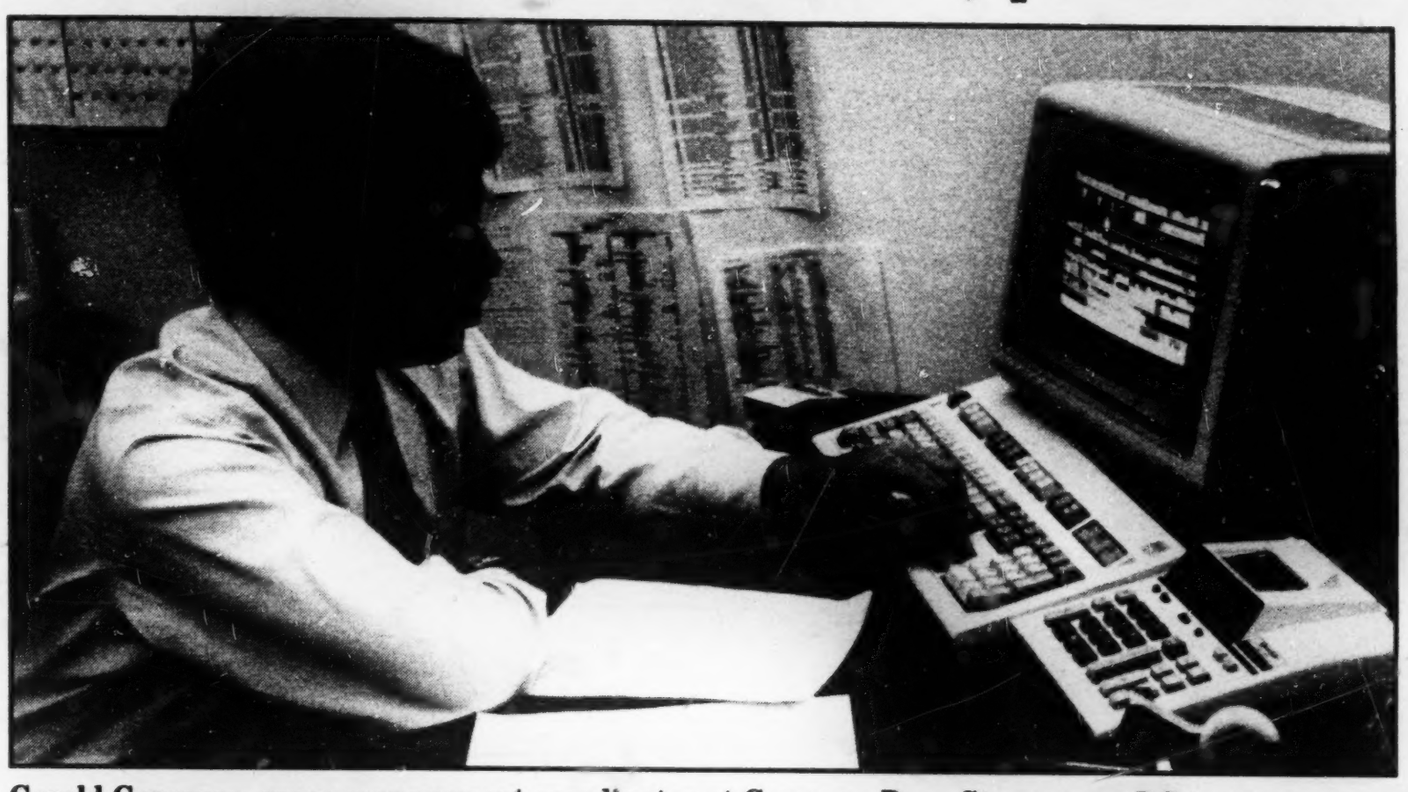
"I felt we could get started much quicker this way," said Lund.

Perry gives movement and profit data to vendors, including Procter & Gamble, McNeil Consumer Products, and Bristol-Myers. The chain also gives guidelines, such as which categories it wants merchandised by blocking or with facings based on profit or movement.

- Rite Aid reported that planograms it developed in several recent tests with vendors who used their own space management systems were not significantly different from the shelf sets the chain had been creating itself. As a result, Rite Aid for now plans to continue developing planograms manually, in which prototype shelves are set and adjusted by hand, with the results typed up and sent out to the stores.

"Sometimes simple is better," said Chuck Lawrence, director of visual merchandising. Lawrence uses a PC spreadsheet application to rank products on profit and movement based on warehouse withdrawals, and figures inventory needs.

Some feel a key benefit from space management will be time and labor savings in planograming, which will allow creating more and better targeted sections.



Gerald Genovese, space management coordinator at Genovese Drug Stores, uses PC to access warehouse withdrawal data and load it into Spaceman program to create a planogram.

"The biggest advantage will be the speed at which we could crank out variations," said Tom Eilers, Pay Less'schematic department manager.

A chain can customize more sets to shelf length and market variations, and more easily update sections that are quickly made obsolete by the blizzard of new products demandingspace, Eilers noted.

Pay Less, actively investigating space management, now uses the Versacad computer drawing system for pictorial renderings.

The biggest obstacle to implementing space management has been obtaining reliable data on product dimensions, without which computer screen shelf sets might be drastically askew from real life conditions.

Eckerd's Campbell said a key factor influencing the chain to chose Apollo is Information Resources' large National Product Library of product dimensions, which is more easily available to Apollo owners.

A.C. Nielsen-owned Logistics Data, though, has tripled the computer capacity and the manpower it's allocated for database building, and plans (as does Apollo) to begin enhancing its data on drug store products, said Jim Dippold, LD's vp-operations and product development.

Lacking a single constantly up-to-date source for dimensions, chains get the data from vendors, and from companies such as Ted Gladson & Associates, the space management consulting firm which maintains an extensive library on drug item sizes.

Another way is to measure the items yourself. Spaceman-owner Genovese Drugs, not untypically, spent a year measuring items in stores with calipers to insure they were using accurate data,said Gerald Genovese, space management coordinator.

"Product dimensions have been a major problem," said Genovese, who has been using the system's picturing function, but this year will work with buyers to help phase in Spaceman's $paceMax analytical component.

Perhaps the most surprising result of chains' investments in space management systems will be in creating closer ties with their vendors, in the view of most retailer and vendor spokesmen.

"Of necessity, (space management systems) will bring suppliers and retailers much closer together. The so-called traditional adversarial relationship is going to have to disappear," said Eckerd's Campbell.

Why? Once wary of vendor data they had neither the time nor resources to confirm, retailers who own a space management system can quickly test the financial assumptions behind proposed planograms.

"I think it's going to create a much higher degree of confidence between the two," said Campbell.

Retailers' three biggest obstacles to electronic shelf space management

1. Getting reliable item size data
2. Getting reliable movement data
3. Getting profit data

Source: *Drug Store News* research

Functions space management systems perform for chains

(Percentages of respondents* so indicating)

Set facings and inventory by product movement	45%
Draw planograms on computer using shelf and product dimensions only	31
Set planograms based on dollar sales/profit criteria	21
Do floor planning by comparing category planograms to each other	3

*Based on multiple responses from chains owning shelf systems and those using vendors' systems. Functions aren't mutually exclusive.
Source: *Drug Store News* survey

Advanced POS systems provide clout to chains

With their ability to store files, capture sales data, and manipulate and move data, POS systems are providing more clout than did the early stand-alone electronic cash registers.

Accurate data capture (with scanning) and fast maintenance of price and inventory databases are among advantages chains have experienced. Now POS systems' impact has spread beyond the store, as they become part of systems for inventory control, automatic ordering and electronic data interchange, and planograming with space management systems.

Loading accurate data

Eckerd, for example, will be loading sales data it captures (through manual input) in IBM POS systems into its space management system, insuring the computer creates planograms based on accurate sales data.

Sales data captured at Walgreens stores is the first step toward an EDI network with vendors, which employs mid-range computers for inventory and billing at the chains' warehouses.

Chains are upgrading to more powerful systems that support more functions, and more chains are converting to scanning.

Walgreen, Thrifty and Peoples are among chains that have installed IBM's 4680 POS system, which ties intelligent POS terminals to a controller.

Revco announced the rollout of IBM 4680s with scanning and Revco-written POS software into 400 more stores this year, on top of 80 stores.

Fay's is installing NCR's newest system, the 2127 with scanning, and upgrading its base of NCR 2126s for scanning.

Perry has just decided to install NCR 2127s in its drug stores. It continues to use Stores Automated Systems Inc. (SASI) systems in its A.L. Price stores.

And Osco is rolling out NCR's 7000 CP system supported by NCR Tower 600 computers in each store for added applications and communication.

Phar-Mor is adding scanning to its NCR 2126s and adding Tower 650s.

Rite Aid continues its rollout of the SASI POS system, which is also in a handful of Genovese stores.

Big B has installed National Data Corp.'s system for the POS and pharmacy in 100 stores.

Scanners by Symbol Technologies and Spectra Physics are used in some cases.

BEAUTY TRENDS

Survey: Drug chains pursue cosmetician-generated sales gains

Among the industry's 50 highest volume drug chains, only a handful can claim full-service cosmetics coverage in almost all stores, but more stores are being added each year as chains pursue the sales gains that trained cosmeticians can generate.

According to *Drug Store News'* first service cosmetics survey, 86 percent of the 21 high-volume chain respondents have trained cosmeticians in some stores, but only 29 percent have full-service coverage in at least 75 percent of their stores.

In fact, only about 28 percent of the 12,000-plus stores operated by the 21 chains are staffed by trained cosmeticians.

More chains are adding service to their cosmetic departments, just as they have reemphasized service in pharmacy. Many respondents say increased service is the only way their stores can differentiate themselves from increased competition that includes not only other drug stores but food-drug combos, deep discount stores and mass merchandise chains like Wal-Mart and K mart.

Of the 21 chains surveyed, all but two say they regard service as a key issue in today's market. And they say they are doing something to enhance their service programs, even if it is only to hold more schools or add more supervisors.

In follow-up interviews designed to qualify the survey findings, several respondents described how they have created a new executive management position to oversee cosmetics. Titles range from vp of cosmetics to director of cosmetics, but the duties were similar.

In almost all cases, this is an executive hired to improve training and merchandising, enhance inventory turns and build sales.

Chains realize gains

Chains that have made the strongest commitment to improving cosmetics service say they are realizing positive paybacks from their investment.

In some stores with improved merchandise presentations and added service, sales are up dramatically, sometimes better than 50 percent over last year.

Respondents that have added fuller service programs also report a sizable gain in cosmetics-fragrance sales as a percentage of overall volume, from 3 to 5 percent as recently as a year or two ago, to 6 to 7 percent today. Cosmetics-fragrance sales at some chains with full-service cosmetic programs are pushing 10 percent of total volume.

Many respondents with sales in the 6 to 7 percent range say they think they can reach 10 percent in about two years. Some are even wondering if they can ultimately hit 15 percent.

"Once we hit 10 percent, the question of whether we can afford fuller service will be answered, because there's no doubt the increased sales will offset the cost of labor," says the cosmetics director for an East Coast-based drug chain.

"If we ever did hit 15 percent of sales," says the cosmetic buyer for a chain in the Northwest, "there wouldn't even be a debate on whether we should go full-service. You'd have to have full-time girls in there covering the department. The department couldn't function without full coverage. So what we have here is a cycle. Get more sales. Give more coverage. But to get the sales, we first have to give the coverage, and that's what we're doing now."

While many respondents report that coverage is helping to increase cosmetic sales, they also say it is si-

Continued on page 15

Chains like Harco Drug know that cosmeticians contribute a personal touch that draws repeat customers and provides a framework for promotions such as their in-store beauty fair pictured above.

When you say service cosmetics. . .

For definitional purposes, our respondents concluded that a drug store can be said to be staffed with a full-service cosmetician only when the following conditions are met:

- The head cosmetician has been trained in product knowledge, company procedures and sales techniques, and is constantly updated by exposure to supervisors, videos, training schools and communiqués from headquarters.
- Part of her job is helping to train other employees, either full- or part-time, in product knowledge and sales procedures.
- She is given enough time in cosmetics to effectively supervise the department and service customers. Enough time means a department is covered at least 40 hours a week, not including time that cosmetic personnel might also have to spend on toiletries.

Cosmetics supervision programs gain favor in managing depts.

Under seige from food chains, discount stores and specialty outlets, most of the industry's largest drug chains are fighting to hold and win back customers by providing service in their stores.

The chains are building up service in three highly visible departments: pharmacy, photofinishing and cosmetics.

The attention being focused on cosmetics is especially important, our sources say, because until recently, many chains were taking their cosmetics customer for granted.

To control costs, many chains had slipped into self-service programs, which, while easy to maintain, took their toll in terms of out-of-stocks, lost sales, bored customers and high shrink.

Now chain executives say they perceive an opportunity to rescue cosmetics from the doldrums, and in the process to build sales in one of the store's most profitable departments.

To achieve this objective, many chains are rethinking the way they train and motivate their cosmetic sales

Continued on page 17

Average cosmetic dollar sales per store, per week

(Percentage of respondents in this range)

Less than $1,000	5%
$1,000-$1,999	15
$2,000-$2,999	18
$3,000-$3,999	23
$4,000-$4,999	5
$5,000-$5,999	9
$6,000-$6,999	5
$7,000-$7,999	5
Over $8,000*	9

*Super drug stores and deep discount drug stores only

Source: *Drug Store News* Cosmetic Service Study

Average cosmetic dollar sales, per store, per week, for chain drug stores with service

(Percentage of respondents in this range)

Less than $1,000	0%
$1,000-$1,999	0
$2,000-$2,999	0
$3,000-$3,999	5
$4,000-$4,999	5
$5,000-$5,999	25
$6,000-$6,999	0
$7,000-$7,999	13
Over $8,000*	25

*Super drug stores and deep discount drug stores only

Source: *Drug Store News* Cosmetic Service Study

Methodology of the cosmetic service survey

Earlier this year, *Drug Store News* mailed out a five-page "cosmetic service" survey to the 50 highest volume drug chains.

By mid-summer we had received 21 usable responses, and we had time to conduct follow-up interviews with almost all the respondents.

The respondents to our survey operate over 12,000 drug stores, or approximately 79 percent of all stores owned by the top 50 chains.

In dollar sales, they generate just over $27 billion, or 77 percent of the dollar volume of the top 50.

BEAUTY TRENDS | **Cosmetics Service**

Bartell Drug's 'eyes and ears' nurtures department's growth

At Bartell Drug, cosmetics coordinator Coleen Pierce tries to serve as a role model for the chain's service cosmeticians. Just ask buyer Charlotte Pendergast, who calls her "inspiring" and likens Pierce to a gardener who protects and nourishes the cosmetic department as if it were an orchard.

"She's my eyes and ears in the stores," said Pendergast, who works side-by-side with Pierce, Bartell's only cosmetics coordinator.

Pendergast has buying responsibilities for many categories, including cosmetics, toiletries and OTCs. She determines with Pierce and Gordon O'Reilly, Bartell's vp-merchandising, which cosmetics and fragrance lines Bartell will carry. Pierce is responsible for working with reps to determine which new items and promotions Bartell will carry, then work with store cosmeticians to determine how best to merchandise them.

"We do all our planograming on a per store basis because all our stores are different," said Pierce. "I'll use vendors' stock books and my own filing system to keep track of what's going out and what's coming in and I'll send memos to the stores on all new and discontinued items. Then when I'm in the stores, I'll double check to see that all the changes have been made."

Because Pierce knows the stores, she can make a buying decision on the spot. Pierce likes to review new products and new pre-packs in the stores, with the reps beside her so they can see how much space is available.

"It's good for the cosmeticians, too," she said, "because they get to see the promotion sheet, hear about the program from the rep and get more involved."

Pierce usually meets each Friday with Pendergast to review the week's work, and is in stores three to four days a week.

In the stores themselves, Pierce has a wide range of responsibilities. She works with new staff, training them to become effective cosmeticians. She helps build displays, reset planograms, and decide what to buy for stores from Pendergast's list of approved vendors. She also helps Pendergast set up training schools with vendors.

Pierce estimates that she and the Bartell cosmeticians are probably responsible for about 5,000 SKUs in the department, including all fragrances, pegged goods, franchised treatments, cosmetics bags and other accessories, jewelry (in about 75 percent of the stores), and hair color.

Between shade changes, promotional and new items, the stores are deluged by 800 to 1,000 new or non-basic items each year. Part of her job is to help the cosmeticians stay on top of all this. "We're talking about maybe 25 percent of all the product in the store," said Pendergast.

Categories cosmetic clerks are responsible for

(Percentage of respondents so indicating)

Cosmetics dept./all or most toiletries (6,000 to 10,000 SKUs)*	67%
Cosmetics dept./some toiletries (3,000 to 5,000 SKUs)**	29%
No response	5%

*Includes all cosmetic items, plus toiletries like hair, skin, sun, hosiery and sometimes personal care items, feminine hygiene, etc.

**Includes all color cosmetics, fragrances, jewelry, franchised skin and bath, and sometimes hosiery or categories requiring service, such as hair color or professional hair care lines.

Source: *Drug Store News* Cosmetic Service Survey

Estimated percentage of total drug store sales for cosmetics/fragrances

(Percentage of respondents)

4%-4.9% or less of sales	14%
5%-5.9%	5
6%-6.9%	24
7%-7.9%	14
8%-8.9%	14
9%-9.9%	0
10% or more	14
Don't know/no response	14

Percentages may not up to 100% because of rounding

Source: *Drug Store News* Cosmetic Service Survey

Level of cosmetic service in stores

(Percentage of chain respondents so indicating)

Some stores with full service cosmeticians	57
More than 75% of stores in chain with full-service cosmeticians	29%
No service cosmeticians; self service in all stores	14%

Source: *Drug Store News* Cosmetic Service Survey

Cosmetics Service

BEAUTY TRENDS

Survey: Drug chains eye cosmetician-generated sales gains

Like many drug chains, mass merchandisers like K mart 'boutique' their cosmetic departments to attract upscale shoppers. But if the store doesn't have someone at the counter to service the shoppers, sales can still be lost and the upscaling presentation, to all practical effects, wasted.

Continued from page 13

multaneously reducing shrink.

Most respondents say they are convinced that the presence of a service cosmetician lowers their shrink rates, sometimes as much as 3 to 4 percentage points.

"The more hours we give the department, the more we see our shrink go down," says one executive. "I am convinced the cost of that cosmetician is offset by our savings in shrink."

At the same time, many respondents are certain that giving cosmeticians more hours in cosmetics and less in other areas of the store improves their in-stock rates which, in turn, helps them avoid lost sales opportunities.

They also say service cosmeticians improve their merchandising presentations, giving their stores a better chance to capture impulse sales. Some respondents also say that cosmeticians help to improve store inventory levels, which in turn minimizes the danger of overstocking a store, and that, of course, improves product turns while reducing inventory costs.

Eighty percent of the chains say they either have or want to have full-time, fully trained cosmetic sales clerks in all stores, except for their lowest volume units. Most think they can achieve this goal by 1992 at the latest.

But our respondents also caution that it takes time for the changes, particularly service changes, which are subtle, to take effect. They warn that a chain may be tempted to back away from expanded hours if sales improvements don't materialize overnight. They say this would be a mistake, because it takes time for customers to realize that cosmeticians are there to help them if needed and for customers to bond, in the words of one buyer, to that cosmetician.

"But if the cosmetician is good, her customers will bond to her," she says, "and they will come back asking for her by name. I've heard them to do it."

'The more hours we give the department, the more we see our shrink go down,' says one executive. 'I am convinced the cost of that cosmetician is offset by our savings in shrink.'

Another source, the vp of cosmetics for a major chain, says that for a service enhancement program to work, it requires two key things: the cooperation of operations through the support of store, district and regional managers, and what she called "people like me proving ourselves by keeping our promise.

"I won't tell a manager they can go from $2,000 a week in cosmetic sales to $6,000 a week overnight," she said. "I'll tell him that if gives me five more hours of coverage in cosmetics, I'll give him another $500 in sales. Then when we get to $2,500 a week, I'll ask for another five hours. And over time, we will usually get to that $6,000."

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Cosmetics Service

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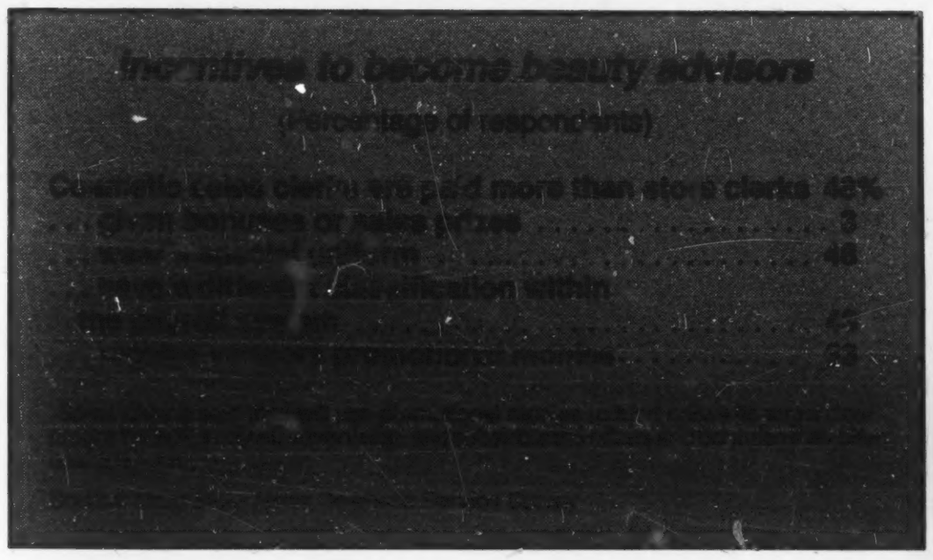
Incentives to become beauty advisors
(Percentage of respondents)
Cosmetic sales clerks are paid more than store clerks 43%
... given bonuses or sales prizes 3
... have a defined career path 46
... have a different job classification within department 47
... receive promotional incentives 33

As drug chains upscale their merchandising presentations, they are also bringing in more service cosmeticians to round out their department store image.

Continued from page 13

clerks.

Some are redefining the clerk's job, giving her less responsibility in toiletries and more time to cover cosmetics so she can maximize her presence in the department.

Some drug chains have decided that they will get better coverage in cosmetics if they limit the cosmetician's scope of responsibilities, so that she only has to worry about the approximately 3,000 to 5,000 SKUs that make up a core cosmetics department.

In our special survey of chain drug cosmetic executives, we found that 29 percent of our respondents are giving their cosmeticians responsibility only for color cosmetics, fragrances, franchised skin treatments and bath lines, jewelry, and sometimes hosiery.

Occasionally these cosmeticians have other categories that may require service such as hair color, ethnic products or professional hair care products. But they are not expected to handle the bulk of the toiletry lines.

"We've been able to increase sales about twenty percent a year," said the cosmetic buyer for a Northeast chain, "and it's because we put people in the department who are trained just to manage that department and take care of its customers.

"In today's competitive environment, you need more than just a warm body hovering in the aisles. You need a committed and competent sales clerk who can help make your store special to the customer, help single it out from the herd."

Not all chains, however, feel that the cosmetician has to be limited to just cosmetic SKUs in order to provide effective coverage. The majority of our respondents believe it makes sense to have cosmeticians responsible for all toiletries, as long as there are enough people assigned to cosmetics to prevent its being neglected.

It is in training that most respondents say that chain drug management has been negligent. Many chains say they plan to revive their cosmetic sales by remedying this negligence.

One of the key differences in today's market is that most

Continued on page 18

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L2114 Grey G-15 ..... 43.60
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BEAUTY TRENDS

Cosmetics Service

How the future looks for service cosmetics

(Percentage of respondents so indicating)

Either have or are very close to having a service cosmetician in all stores	38%
Goal is to eventually have a service cosmetician in all stores	33
Goal is to eventually have a service cosmetician in as many stores as possible	10
Do not want service cosmeticians in any stores	10
No response	10

Source: *Drug Store News* Cosmetic Service Survey

The only way to successfully sell something merchandised under glass is by having a cosmetician present to assist with the sale. Without such a person, chains complain their fragrance turns are woeful.

Service cosmetician responsibilities

(Percentage of respondents so indicating)

Stocking the cosmetic department	100%
Servicing customers	100
Reordering products in the department	94
Re-setting the department	94
Working the cash register	100
Reordering product for or stocking other departments	75
Working the cash register in other departments	50
Buying product*	29

*Generally just promotional items, new items from approved venders or reordering with direct store venders.

Multiple responses given for this question.

Source: *Drug Store News* Cosmetic Service Survey

Continued from page 17

chains now have a cosmetic supervision program in place.

Most chains assign a supervisor to between 20 and 30 stores, among which they rotate their time and act as trouble-shooters. When problems, such as out-of-stocks or inadequate displays, are found, supervisors are expected to remedy them—not by doing the job themselves, but by training store cosmeticians to handle the problems.

Half of the respondents say they have had such a supervisory level in place for a long time, and these sources say they add more supervisors as they open new stores.

Supervisors were their best way of communicating with headquarters, reporting what sells and requesting help with problems.

Some also say they are in the process of redefining the supervisors' job, trying to get them to spend more time on training cosmeticians and less on putting out fires.

"When a store person isn't doing the job right," says one vp, "It's usually because she wasn't trained right. Rather than have my supervisors do the job for her, I'd prefer they train her. That, to me, is the most important thing my supervisors could be doing."

Among respondents with supervisors, 90 percent described them as one of their best training tools. Most sources also say they were the most effective way of communicating with their stores, and several called supervisors their eyes and ears in the stores. Cosmeticians also told us that supervisors were their best way of communicating with headquarters, reporting on what is and isn't selling as well as requesting help with problems.

Many chains are also using their supervisors as part of their hiring teams. One source says that since giving the cosmetic supervisors a say in who's hired as a cosmetician, the selection process had improved tremendously.

In addition to their new emphasis on supervisors as trainers, many chains, especially the larger ones, are starting to use videotapes as cost-effective and efficient training tools.

Forty percent of respondents report they are now using videos as training tools, and several of the leading chains are starting to produce informational videos, financed by suppliers, that describe upcoming major promotions.

The videos are easier to do than training schools because they don't pull people out of the stores. Most chains try to insure that their cosmeticians actually watch the tapes by including a quiz with the tape that has to be mailed back to headquarters or by asking a manager or district manager

Continued on page 20

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BEAUTY TRENDS

Cosmetics Service

Retailers believe service cosmeticians can significantly reduce pilferage in the department.

Without cosmeticians, retailers say stores couldn't take full advantage of the dollars that manufacturers pump into a promotion.

Continued from page 18

to "sign off" the clerks who actually watch the tapes.

Schools are harder to do, because they take time to organize, they pull clerks from the store and they often involve a free lunch or renting convention rooms at a conveniently located hotel. But in spite of the added expense and bother, more respondents are doing schools this year than in the past, and many others are going back to schools after abandoning them for several years.

Eighty-five percent of our respondents say they are sponsoring supplier schools several times a year to teach their cosmeticians more about individual lines and categories. One-third say their schools are either new or expanding in frequency.

Many chains are also beginning to invite their store managers and assistants, as well as district and regional managers, to the cosmetic training schools so their operations people can get a better feel for the importance of cosmetics. This in turn helps assure that managers will schedule enough cosmetician hours for the department.

In addition to training cosmeticians better, many chains were also trying to motivate them more effectively.

A number of chains are experimenting with higher pay rates for cosmeticians to make the job a more attractive career path.

More chains are also issuing special uniforms for cosmeticians to make them look and feel like specialists and give them the sense that the company appreciates the value of their contributions.

More chains are also staging cosmetic sales drives and display contests with cash and other prizes so cosmeticians can be rewarded for creative merchandising ideas that improve sell-throughs.

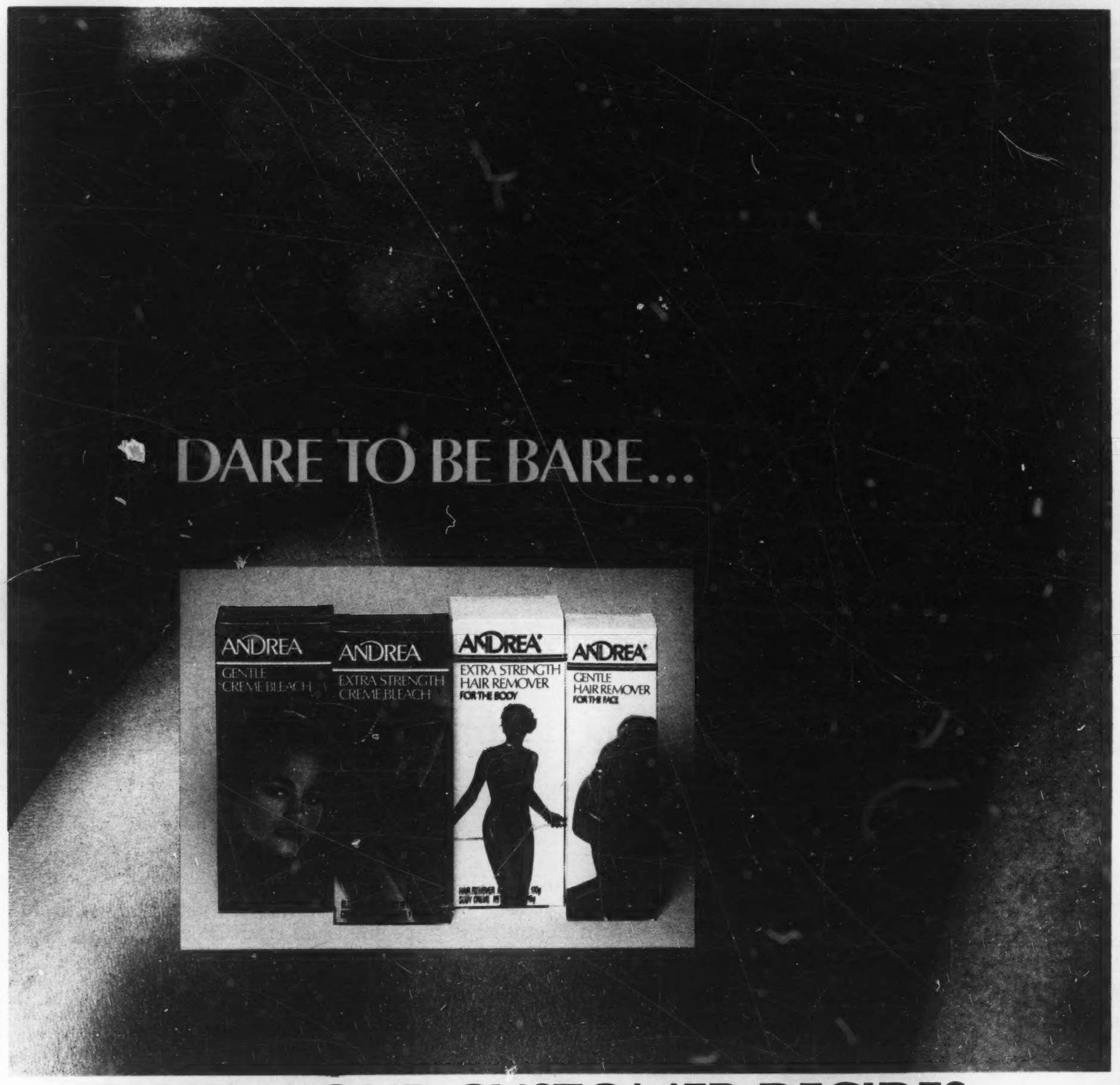
Only a few chains are currently passing along vender promotional monies to cosmeticians as rewards for suggestive selling. However, many more chains are considering this strategy to see if it can improve sales growth.

Estimated percentage of shrink in cosmetics-fragrance department

(Percentage of respondents so indicating)

1%-3% shrink	14%
4%-5% shrink	33
6%-7% shrink	14
8%-9% shrink	10
No estimate	29

Source: *Drug Store News* Cosmetic Service Survey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INSIDE PHARMACY
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Vol. 4, No. 9/Sept. 25, 1989 | The News Journal of Retail Pharmacy | Published by Lebhar-Friedman, Inc.

OTC buyers tell hows and whys of product picks

NEW YORK — Consumer advertising is the most important service OTC suppliers can offer drug chain OTC buyers in helping them decide whether to stock an item. Buyers regarded display materials and planograms as the least important services.

According to the exclusive 1989 *Drug Store News/ Inside Pharmacy* OTC Buyer Feedback Survey—which polled OTC buyers from 25 of the nation's leading chains on their purchasing habits—60 percent said consumer advertising was the most important factor in their decision to stock one brand over another. Other "very important" factors, in descending order, included co-op advertising, invoice dating, information on new products, return goods policy and display allowances.

Since most chain stores do in-house planograming, it is not surprising that planograming services offered by OTC manufacturers was one of the items chain buyers listed as least helpful in their buying decisions. Other services offered by OTC reps that a significant number of buy-

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Generic scandal: where will it lead?

By Elizabeth Richardson

For years, generic drug manufacturers have worn the "white hats" of the drug industry by providing lower-priced products for consumers. Those white hats are now being replaced by hard hats, as the generic industry is bombarded with charges of bribery and falsification of records.

Since last summer, scandal has surrounded the generic industry, leaving indictments and accusations in its wake. The final verdict is still out on many officials and companies as new information comes to light, leaving retail pharmacists in the uncomfortable position of reassuring customers that generics they are using are safe. Meanwhile, the Food and Drug Administration (FDA), under heavy criticism from government and industry leaders, tries to wrap up its investigation.

Thus far, the situation has centered on two areas:

- Bribery of FDA officials by Par Pharmaceutical, Inc. and its sub-

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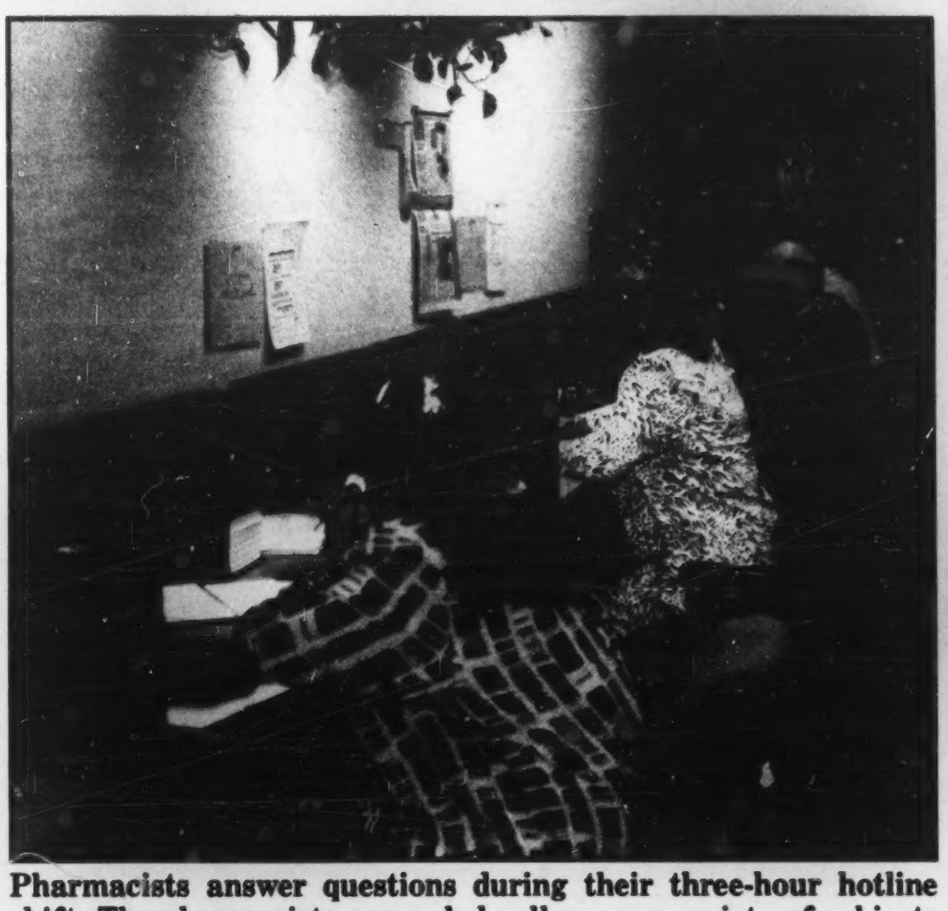
DRUG STORE NEWS® INSIDE PHARMACY PHARMACIST EDITION

APhA hotline reaches out with consumer drug info

By Elizabeth Richardson

WASHINGTON — Over 600 callers responded to a recent pharmacy hotline sponsored by the American Pharmaceutical Association (APhA). The hotline, set up by *USA Today*, is part of a promotional campaign launched by APhA that is intended to reach over 50 million Americans—*Rx Healthline: A word from your pharmacist.*

Seventeen greater Washington area pharmacists volunteered to man telephones during the 12-hour hotline. Eighty percent of consumers' questions centered on the use of generics and current FDA generic investigations. Others ranged from general health care to specific questions on the uses of certain drugs.



Pharmacists answer questions during their three-hour hotline shift. The pharmacists counseled callers on a variety of subjects during the 12-hour hotline.

Beneficial for pharmacists

Volunteers said the hotline had many benefits for the pharmacists, as well as the consumers. "I think it was an excellent way for pharmacists to get their message out—that we are the health professional responsible for drug use, and that we have the knowledge and can be a first-line of information for the patients," Black said.

Irving E. Swartz, independent pharmacist from Alexandria, Va., agrees.

"I think we get benefits by realizing that we do provide a legitimate function and there's a place for us in this whole spectrum," he said. "The consumer feels like they're getting nonbiased information, based on the fact that we gain nothing by giving the information. So therefore, they felt like they were getting 'honest answers.' Maybe we embarked on the fact that we do more than just count—that we do counseling and were able to alleviate their concerns."

The campaign continued in September with an insert in *Cosmopolitan* magazine. An additional insert will appear in the November *Redbook*. APhA is sending out copies of the inserts to participating pharmacies throughout the country. Plans are currently underway for additional inserts to appear in national publications during 1990.

The cost of dispensing a third-party Rx vs. private-pay

Categories used in allocating costs	Private-pay	Third party	Difference
Store personnel	$3.74	$4.07	$ .33
Rent	.28	.28	—
Direct Rx & store computer systems	.36	.43	.07
Third party receivables (carrying costs)	—	.24	.24
Third party bad debt	—	.24	.24
Fixed expenses	.18	.18	—
Variable expenses	.35	.35	—
Central administration	.69	.93	.24
Summary	$5.60	$6.72	$1.12

Source: NACDS Third-Party Impact Study (Phase One)

Preliminary findings in NACDS' Third-Party Impact Study showed it costs chain drug retailers $1.12 more to dispense a third-party prescription compared to the costs to dispense a private-pay prescription. Warehousing costs of 12 cents per prescription were assessed, but not included as a category in determining costs of filling prescription since not all the chains surveyed received their prescription merchandise from a warehouse. For those chains that do warehouse pharmaceuticals, no difference between third-party and private-pay warehousing costs were found. The study also uncovered that the chains answering the survey were paid for 91.7 percent of third-party claims submitted. Payment from third-party processors took an average of 42.8 days. Geographic differences in the cost of filling a third-party prescription vs private pay were: $1.08/Northeast, $1.04/Midwest, $.98/South, $1.30/East.

Bell posthumously receives Pratt award

WASHINGTON — The NACDS/Harold W. Pratt Award was presented posthumously to Donald Bell, a 30 year veteran of Thrift Drug Co.

The award was accepted by his wife, Jean, at a special recognition ceremony at the NACDS Pharmaceutical Conference held at the Washington Hilton last month.

Chaired conference

Bell, who was chairman of the 1988 Pharmaceutical Conference, died in June after recently retiring as vp of professional and public affairs.

The Harold W. Pratt Award recognizes chain drug store pharmacists whose activities have contributed to the promotion, recognition and improvement of the practice of pharmacy.

Added funding, penalties eyed to restore generics

There's no shortage of proposed solutions to the generic drug mess. Both FDA Commissioner Frank Young and HHS Secretary Louis Sullivan have indicated that they will ask Congress to set harsh new penalties for manufacturers who provide false data to federal drug reviewers.

John Gans, fledgling APhA executive vp, called for increased federal funding for FDA's Generic Drug Division "so that sufficient resources can be applied to the drug process to minimize the chance of future unethical behavior among FDA staff.

Bill Haddad, chairman of the Generic Pharmaceutical Industry Association, suggested "fingerprinting" brand-name drugs (e.g. by adding inactive "trace elements") to prevent generic manufacturers from seeking FDA marketing approval based on the original reference product.

WASHINGTON PERSPECTIVE
KEN RANKIN

NACDS President Ron Ziegler, meanwhile, urged drug chains to "be responsive to any recall of products" and to consider educating their pharmacists "regarding communication of the controversy to their customers." In the first of a series of new *Generic Drug Update Information Alerts*, Ziegler warned that "the controversy will not soon subside and may result in a lessening of public confidence in the benefits of prescription drugs."

* * *

The FDA is subjecting a score of the nation's top generic manufacturers to "comprehensive inspections." The decision to conduct outright inspections of production plants came in the midst of FDA's previously announced program to subject the 30 leading generic drug products to special federal safety testing.

Although the safety tests were prompted by charges that several generic manufacturers used fraudulent methods to obtain FDA marketing approval for their products, agency officials emphasized that the new series of plant inspections "are not a result of allegations of wrongdoing."

Rather, FDA said, the 20 manufacturers were selected for inspections "in large part because of their large numbers of approved applications for generic drugs."

Regardless of the reasons for their selection, the generic producers tapped for FDA's new inspection blitz could face severe penalties if additional improprieties are uncovered. Indeed, late last month two manufacturers were socked with heavy sanctions as FDA revoked three abbreviated new drug applications held by Par Pharmaceuticals and 25 by Vitarine.

FTC: Nonprofit discount charges unsubstantiated

Despite intensive secret investigations into alleged discriminatory pricing practices by pharmaceutical manufacturers, the Federal Trade Commission found no evidence to support pharmacists' charges that nonprofit institutions were being offered drugs at unfair discounts.

The until-now secret FTC probes were disclosed for the first time in a letter from commission officials to House Judiciary Committee Chairman Jack Brooks (D-Texas). According to FTC, the investigations were launched "in response to complaints from pharmacists that nonprofit hospitals were paying lower prices for prescription drugs than retail pharmacies and reselling prescription drugs in competition with such pharmacies."

Specifically, the FTC investigation focused on allegations that hospitals and other institutions were "improperly reselling these products in large quantities to wholesalers operating in a 'gray market.'"

Although those allegations were documented extensively by *Drug Store News/Inside Pharmacy*, NARD and Rep. John Dingell's House Investigations Subcommittee, FTC concluded that "studies showed that nonprofit hospitals were overwhelmingly in compliance with the Supreme Court's 'own use' guidelines" for purchasing pharmaceuticals at institutional discounts."

Ironically, the FTC investigation was terminated in April 1988—the same month that Congress passed Dingell's "Prescription Drug Marketing Act" setting tough new restrictions on pharmaceutical resales and diversion by hospitals.

Bill would tighten medical device safety standards

New legislation regulating medical devices calls for a significant tightening of the safety standards governing FDA approval of these products. The bill, dubbed "The Safe Medical Devices Act of 1989" by House sponsors Reps. Henry Waxman (D-Calif.) and John Dingell (D-Mich.), would require hospitals to report device-related illnesses directly to FDA.

DRUG STORE NEWS®
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PHARMACIST EDITION

OTC buyers tell the hows and whys of product choices

Continued from page IP1

ers felt were "not at all important" included display material and consumer rebate programs.

Competition increases

Competition from other trade classes carrying the same OTCs as chain drug stores has been intense. Deep discounters, supermarkets, combos, mass merchandisers and convenience stores have all staked a claim in the lucrative OTC marketplace. To stay ahead of competition, chain buyers have fine-tuned their buying and marketing skills.

To meet competition head-on, a buyer from a Massachusetts chain said the chain offers senior citizens a 10-percent discount on all OTC items. A New York chain builds consumer confidence by offering a rain check for out-of-stock OTC items. When the customer comes back for it, the item is free. Others make use of an exprivate label product line.

A big headache for OTC buyers is the number of new OTC product entries every year.

What influences buyers to take on a new product? According to the survey, while product quality was very important to all the buyers, the one item they picked that was of overall importance was dollars budgeted for consumer advertising. Other items that influence buyers to stock new products include, in descending order, product quality, off-invoice allowance and detailed info about the product, uniqueness of the product and consumer requests.

Insight into habits

Several buyers offered an insight to their buying habits, especially considering product proliferation. One New York buyer said, "With new products coming so fast, we obviously can't take on all of them. The only solution to this madness of copying and duplication is to notify the manufacturer that we take on new products twice a year, in January and July. This prevents spur-of-the-moment additions and mass confusion in planogramming set-ups."

A Southeastern chain buyer claims that "product packaging and the stability of the vendor" is of upmost importance in his buying decisions.

And for a buyer at a Kentucky chain, a manufacturer who is willing to guarantee the sale of an item is of upmost importance. "If not, beware!"

OTC product category mix at typical chain drug store

(Percentage of respondents)

Carry the number one and number two brands in most OTC categories	–%
Carry at least three to five brands in the major OTC categories	20
Carry most of the major brands and sizes available to give shoppers variety	76
Didn't answer	4

Source: *Drug Store News/Inside Pharmacy* 1989 OTC Buyer Feedback Survey

Pricing strategies in typical chain drug store OTC dept.

(Percentage of respondents)

Never undersold	4%
Rely on everyday low prices with little or no advertised sales	–
Rely on sales and low promotional prices rather than everyday low prices	36
Stay competitive with other drug stores in the market	52
Have a full service/full price orientation	4
No answer	4

Source: *Drug Store News/Inside Pharmacy* 1989 OTC Buyer Feedback Survey

How buyers prefer to receive OTC product information

(Percentage of respondents)

Visits from manufacturers' reps	88%
Telemarketing	–
Direct mail	12

Source: *Drug Store News/Inside Pharmacy* 1989 OTC Buyer Feedback Survey

Amount of time spent in stores by OTC reps

(Percentage of respondents)

Under 10 minutes	–%
10-20 minutes	24
30-45 minutes	36
45 minutes - 1 hour	0
More than 1 hour	8

Mean = 30.36 minutes

Source: *Drug Store News/Inside Pharmacy* 1989 OTC Buyer Feedback Survey

Profile of store visits by OTC vendors

(Percentage of respondents)

More than once a month	8%
Once a month	60
Once every 2 to 6 months	32
Once every 7 to 11 months	–
Once a year	–
Less than once a year	–

Mean = 9.2 times a year

Source: *Drug Store News/Inside Pharmacy* 1989 OTC Buyer Feedback Survey

Factors influencing buyers to stock new OTC products

	Very important	Somewhat important	Not at all important
Uniqueness of product	48%	48%	4%
Consumer ad dollars	72	24	4
Suggested retail price	20	44	36
Off-invoice allowance	64	32	4
Number of SKUs	48	44	8
Detailed info about product	44	56	—
Consumer requests	32	64	5
Return goods policy	60	32	8
Display allowances	48	40	12
Product quality	100	—	—

Source: *Drug Store News/Inside Pharmacy* 1989 OTC Buyer Feedback Study

Factors in making OTC buying decisions

	Very important	Somewhat important	Not at all important
Display allowances	60%	28%	12%
Consumer advertising	84	8	8
Co-op advertising	80	16	4
Info on new products	68	32	—
Return goods policy	60	36	4
Info on product movement	32	60	8
Display material	8	64	28
Info on market share	28	64	8
Consumer rebate program	20	60	20
Invoice dating	76	20	4
Planogramming	20	52	28

Source: *Drug Store News/Inside Pharmacy* 1989 OTC Buyer Feedback Study

Rogaine® Rx
TOPICAL SOLUTION
minoxidil 2%

INDICATIONS AND USAGE
Male pattern baldness (alopecia androgenetica) of the vertex of the scalp. No effect has been seen on frontal baldness. At least four months of treatment are generally required before evidence of hair growth can be expected; further growth continues through one year. The new growth is not permanent; cessation of treatment will lead to its loss in a few months.

CONTRAINDICATIONS
Hypersensitivity to minoxidil, propylene glycol or ethanol.

WARNINGS
1. Need for normal scalp: Before starting treatment, make sure that the patient has a normal, healthy scalp. Local abrasion or dermatitis may increase absorption and hence the risk of side effects.
2. Potential adverse effects: Although extensive use of topical minoxidil has not revealed evidence that enough minoxidil is absorbed to have systemic effects, greater absorption due to misuse, individual variability or unusual sensitivity could, at least theoretically, produce a systemic effect.
Experience with oral minoxidil has shown the following major cardiovascular effects (Review the package insert for LONITEN® Tablets for details):
—salt and water retention, generalized and local edema
—pericardial effusion, pericarditis, tamponade
—tachycardia
—increased incidence of angina or new onset of angina
Patients with underlying heart disease, including coronary artery disease and congestive heart failure, would be at particular risk of these potential effects. Additive effects could also emerge in patients being treated for hypertension.
Potential patients should have a history and physical, should be advised of potential risks and a risk/benefit decision should be made. Heart patients should realize that adverse effects may be especially serious. Alert patients to the possibility of tachycardia and fluid retention, and monitor for increased heart rate, weight gain or other systemic effects.

PRECAUTIONS
General Precautions: Monitor patients one month after starting ROGAINE and at least every six months afterward. Discontinue ROGAINE if systemic effects occur. The alcohol base will burn and irritate the eye. If ROGAINE reaches sensitive surfaces (eg, eye, abraded skin and mucous membranes) bathe with copious cool water.
Avoid inhaling the spray.
Do not use in conjunction with other topical agents such as corticosteroids, retinoids and petrolatum or agents that enhance percutaneous absorption. ROGAINE is for topical use only. Each mL contains 20 mg minoxidil and accidental ingestion could cause adverse systemic effects.
Decreased integrity of the epidermal barrier caused by inflammation or disease of the skin, eg, excoriations, psoriasis or severe sunburn, may increase minoxidil absorption.
Patient Information: A patient information leaflet is included with each package and in the full product information.
Drug Interactions: No drug interactions are known. Theoretically, absorbed minoxidil may potentiate orthostatic hypotension in patients taking guanethidine.
Carcinogenesis, Mutagenesis and Impairment of Fertility: No carcinogenicity was found with topical application. Oral administration may be associated with an increased incidence of malignant lymphomas in female mice and hepatic nodules in male mice. In rats, there was a dose-dependent reduction in conception rate.
Pregnancy Category C: ROGAINE should not be used by pregnant women.
Labor and Delivery: The effects are not known.
Nursing Mothers: ROGAINE should not be administered.
Pediatric Use: Safety and effectiveness have not been established under age 18.

ADVERSE REACTIONS
ROGAINE was used by 3510 patients in placebo-controlled trials. Except for dermatologic events, no individual reaction or reactions grouped by body systems appeared to be increased in the minoxidil-treated patients.
Respiratory (bronchitis, upper respiratory infection, sinusitis) 5.95%; **Dermatologic** (irritant or allergic contact dermatitis) 5.27%; **Gastrointestinal** (diarrhea, nausea, vomiting) 3.42%; **Neurology** (headache, dizziness, faintness, light-headedness) 2.56%; **Musculoskeletal** (fractures, back pain, tendinitis) 2.17%; **Cardiovascular** (edema, chest pain, blood pressure increases/decreases, palpitation, pulse rate increases/decreases) 1.28%; **Allergy** (non-specific allergic reactions, hives, allergic rhinitis, facial swelling and sensitivity) 1.03%; **Special Senses** (conjunctivitis, ear infections, vertigo) 0.94%; **Metabolic-Nutritional** (edema, weight gain) 0.60%; **Urinary Tract** (urinary tract infections, renal calculi, urethritis) 0.46%; **Genital Tract** (prostatitis, epididymitis) 0.46%; **Psychiatric** (anxiety, depression, fatigue) 0.28%; **Hematology** (lymphadenopathy, thrombocytopenia) 0.23%; **Endocrine** 0.09%.
Patients have been followed for up to 5 years and there has been no change in incidence or severity of reported reactions. Additional events reported since marketing include: eczema, hypertrichosis, local erythema, pruritus, dry skin/scalp flaking, sexual dysfunction, visual disturbances including decreased visual acuity, exacerbation of hair loss, alopecia.

DOSAGE AND ADMINISTRATION
Hair and scalp should be dry before application. 1 mL should be applied to the total affected areas twice daily. Total daily dose should not exceed 2 mL. If the fingertips are used to facilitate drug application, wash the hands afterwards.

HOW SUPPLIED
60 mL bottle with multiple applicators NDC 0009-3367-05
Caution: Federal law prohibits dispensing without a prescription.

B-1-S

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FINANCIAL

Moore Medical Corp. turning around in '89

NEW BRITAIN — Moore Medical Corp. is rebounding from a difficult 1988, when it lost $6 million. The distributor broke into the black on a surge of operating income in the second quarter ended June 30, ending a period of losses that have stemmed from various special charges.

The positive results were the payoff of a drive to build sales and hold down costs while avoiding costly missteps, according to Mark Karp, president and chief operations officer.

The nation's twelfth-largest wholesaler posted record second quarter sales of $66.6 million, up 11 percent from last year's comparable quarter. Net income was $627,000, or 22 cents a share, compared with $314,000 (11 cents) last year.

The sales growth, coupled with an increase in gross margin and lower expenses, fueled an operating income of $2.43 million, 94 percent higher than last year's $1.25 million.

The gross margin increased to 12.7 percent compared with 11.4 percent in the 1988 quarter, and sales, general and administrative expenses were held to 8 percent growth from last year's period.

"They're back on track," said Louis Webb, an analyst with the Advest Group. "Their gross margins are good compared to their competitors. I think there is still room for improvement, to 13 percent or 14 percent,"

Webb projects Moore will earn about 60 cents a share in the 1989 year ending in December, compared with last year's loss.

The special charges that caused last year's loss carried over into the first quarter of 1989, in which Moore posted a $308,000 loss, or 11 cents per share. Six-month earnings are 11 cents, compared with 44 cents in last year's first six months.

Karp said Moore has settled all charges from its legal fight with the Shulton Co. in which Moore was named with three other companies for alleged H&BA diversion practices. Moore absorbed over $2 million in charges from the fight last year and in this year's first quarter, Karp said.

Earnings are also recovering from write-downs Moore took on inventory of latex examination gloves for which demand escalated as a result of AIDS. Moore was forced to absorb charges on inventory after increased production from offshore caused market prices to plummet.

Karp said the wholesaler's goal will be to build sales with existing customers, which include independents, drug chains such as Genovese, Brooks and LaVerdiere, and professional accounts such as doctors' offices and private medical facilities.

Moore went national when it bought a St. Louis emergency medical service supplier in 1986 and then a Haywood, Calif., generic drug distributor in 1987.

Greater efficiency will be the target of a planned study with IBM this fall of Moore's systems' needs. In implementing new warehouse and office systems, Karp said Moore will likely upgrade to IBM AS/400 T.M. computers from its current mid-range IBM computers.

Fay's net up 35%

LIVERPOOL. N. Y. — Fay's announced record net earnings for the second quarter ended July 31 of $3.0 million, or 20 cents per share, on revenues of $140 million. Net earnings for last year's comparable quarter were $2.2 million, or 15 cents per share, and revenues were $127 million. Comparable-store sales increased 10.2 percent and prescription drug sales were up 14 percent.

Longs 2nd-qtr. net $15M

WALNUT CREEK, Calif. — Longs Drug Stores reported unaudited net income of $15.3 million, or 74 cents per share, for the second quarter ended July 27, compared with $14.0 million, or 69 cents per share, for the year-ago period. Sales reached $503.4 million, versus $464.6 million. Longs also announced a 24-cent quarterly dividend and board approval to repurchase up to 3 million more shares of the company's outstanding common stock.

Genovese sales up

MELVILLE, N.Y. — Genovese Drug Stores posted a 14.9-percent sales gain for the second quarter ended Aug. 18, to $91.1 million, from $79.3 million a year ago. Net income was $397,000, or 6 cents per share, compared with $1.1 million, or 17 cents per share, last year. For the first half, sales were $204.5 million and net income was $1.5 million.

MARKET DIARY:

Largest Dollar Gainer	Squibb Corp.	$ 3.25	Advances	29
Largest Dollar Loser	American Stores	$ – 4.50	Declines	25
Largest Percentage Gainer	Newport Pharmaceutical	10.94%	Unchanged	6
Largest Percentage Loser	Dart Drug Stores	– 15.38%	New highs	7
			New lows	1

	Close 8/29/89	Close 9/12/89	Net Change	Percent Change
Drug Store News Index	2920.72	2904.23	16.49	0.56
Dow Jones Industrial Average	2726.63	2707.26	– 19.37	– 0.71
Standard & Poor's 500-Stock Index	349.84	348.70	– 1.14	– 0.33
N.Y.S.E. Composite	194.47	193.88	– 0.59	– 0.30
Value Line Index	276.60	276.61	– 0.01	0.00

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 8/29/89	Closing Price 9/12/89	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	22.75	20.25	– 2.50	– 10.99	25	0.16	0.79	24.75	8.00
OTC	Big B (H)	BIGB	13.88	14.75	0.88	6.31	17	0.16	1.08	15.25	10.63
OTC	Dart Drug Stores (L)	DDRGC	0.41	0.34	– 0.06	– 15.38	d	0.00	0.00	2.50	0.25
OTC	Drug Emporium	DEMP	12.75	13.63	0.88	6.86	20	0.05	0.37	16.25	6.25
NYS	Fay's Inc.	FAY	13.00	14.13	1.13	8.65	19	0.20	1.42	15.00	7.88
ASE	Genovese Drug	GDX.A	11.25	11.25	0.00	0.00	16	0.24	2.13	12.88	8.75
OTC	Leroy Pharmacies	LERYW	5.13	5.00	– 0.13	– 2.44	d	0.00	0.00	5.38	4.38
NYS	Longs Drug Stores (H)	LDG	42.25	43.13	0.88	2.07	15	0.96	2.23	44.00	33.63
OTC	Medicine Shoppe	MSII	30.00	30.88	0.88	2.92	24	0.10	0.32	31.75	20.25
NYS	Perry Drug	PDS	11.63	11.13	– 0.50	– 4.30	278	0.00	0.00	13.50	5.25
NYS	Rite Aid Corp.	RAD	39.63	39.63	0.00	0.00	17	0.82	2.07	40.75	29.13
NYS	Walgreen Co.	WAG	46.50	46.13	– 0.38	– 0.81	19	0.68	1.47	50.25	29.63
Wholesaler's transactions											
OTC	Alco Health Services	AAHS	27.00	24.25	– 2.75	– 10.19	18	0.00	0.00	30.38	22.50
ASE	Bergen Brunswig (s)	BBC	26.50	26.00	– 0.50	– 1.89	14	0.32	1.23	27.00	15.63
OTC	Bindley Western Ind.	BIND	8.63	8.75	0.13	1.45	17	0.00	0.00	9.50	6.63
OTC	Cardinal Distribution	CDIC	24.50	26.00	1.50	6.12	16	0.10	0.38	26.00	16.00
OTC	Durr-Fillauer	DUFM	19.25	21.13	1.88	9.74	21	0.24	1.14	23.25	13.88
ASE	Ketchum	KCH	4.50	4.63	0.13	2.78	—	0.00	0.00	7.88	4.50
NYS	McKesson Corp. (H)	MCK	37.50	39.00	1.50	4.00	16	1.44	3.69	39.75	29.63
ASE	Moore Medical	MMD	13.75	14.63	0.88	6.36	d	0.00	0.00	15.63	9.00
NYS	Owens & Minor	OMI	12.25	12.75	0.50	4.08	20	0.26	2.04	15.88	11.38
Manufacturer's transactions											
NYS	Abbott Labs	ABT	63.38	63.00	– 0.38	– 0.59	18	1.40	2.22	66.00	44.13
NYS	American Home Products	AHP	99.88	99.63	– 0.25	– 0.25	15	3.90	3.91	103.00	76.38
NYS	Baxter International	BAX	23.38	22.38	– 1.00	– 4.28	16	0.56	2.50	24.38	16.25
OTC	Block Drugs Co.	BLOCA	35.38	35.50	0.13	0.35	14	0.64	1.80	36.00	30.00
ASE	Bolar Pharmaceutical	BLR	19.50	18.50	– 1.00	– 5.13	11	0.04	0.22	32.25	16.75
NYS	Bristol-Myers	BMY	49.38	50.13	0.75	1.52	16	2.00	3.99	52.13	41.38
NYS	Carter-Wallace	CAR	51.13	49.75	– 1.38	– 2.69	16	0.82	1.65	53.25	37.50
ASE	Forest Labs	FRX	36.00	35.88	– 0.13	– 0.35	29	0.00	0.00	37.88	20.63
ASE	Halsey Drug	HDG	5.56	6.00	0.44	7.87	20	0.00	0.00	7.38	2.38
NYS	ICN Pharmaceutical	ICN	6.00	6.25	0.25	4.17	69	0.00	0.00	7.38	5.63
ASE	Lee Pharmaceutical	LPH	3.13	3.13	0.00	0.00	d	0.00	0.00	5.50	3.00
ASE	Leiner P. Nutrition	PLI	19.50	20.75	1.25	6.41	17	0.00	0.00	21.38	9.25
NYS	Lilly Eli Co.	LLY	62.13	59.63	– 2.50	– 4.02	20	1.35	2.26	64.25	42.25
NYS	Marion Labs	MKC	34.50	34.25	– 0.25	– 0.72	23	0.36	1.05	36.50	16.38
NYS	Merck Co.	MRK	74.13	71.38	– 2.75	– 3.71	21	1.80	2.52	77.88	53.50
NYS	Mylan Labs (H)	MYL	13.38	14.50	1.13	8.41	34	0.10	0.69	15.38	7.50
OTC	Newport Pharmaceutical	NWPH	4.00	4.44	0.44	10.94	d	0.00	0.00	6.63	1.75
NYS	Par Pharmaceutical	PRX	5.75	5.75	0.00	0.00	10	0.04	0.70	12.50	3.88
NYS	Pfizer Inc. (H)	PFE	67.38	69.00	1.63	2.41	16	2.20	3.19	70.75	53.00
NYS	Robins, A.H.	RAH	32.25	32.25	0.00	0.00	14	0.00	0.00	33.50	21.88
NYS	Rorer Group	ROR	45.00	42.88	– 2.13	– 4.72	21	0.80	1.87	48.25	35.38
OTC	Scherer RP Corp.	SCHC	15.50	15.75	0.25	1.61	d	0.40	2.54	33.38	12.00
NYS	Schering Plough (H)	SGP	77.38	75.75	– 1.63	– 2.10	20	1.80	2.38	78.75	52.50
NYS	Squibb Corp. (H)	SQB	114.88	118.13	3.25	2.83	25	2.00	1.69	120.63	63.25
NYS	Syntex Corp.	SYN	48.13	45.50	– 2.63	– 5.45	17	1.50	3.30	54.50	36.50
NYS	Thiokol Inc.	TKC	14.13	15.25	1.13	7.96	17	0.30	1.97	125.00	12.38
NYS	Upjohn Co.	UPJ	38.38	38.63	0.25	0.65	19	0.88	2.28	42.00	27.00
NYS	Warner-Lambert	WLA	107.00	107.50	0.50	0.47	19	2.56	2.38	114.63	70.75
NYS	Zenith Labs	ZEN	1.50	1.63	0.13	8.33	d	0.00	0.00	2.75	1.13
Other retailer transactions											
NYS	Albertson's	ABS	53.38	53.75	0.38	0.70	20	0.80	1.49	55.00	32.75
NYS	American Stores	ASC	70.25	65.75	– 4.50	– 6.41	29	1.00	1.52	72.50	50.75
NYS	Giant Food	GFS.A	34.13	31.38	– 2.75	– 8.06	18	0.50	1.59	36.25	21.00
NYS	K-Mart	KM	43.63	42.00	– 1.63	– 3.72	11	1.64	3.90	44.88	33.75
NYS	Kroger	KR	19.13	19.38	0.25	1.31	d	0.00	0.00	59.00	8.38
NYS	Melville Corp.	MES	51.75	50.75	– 1.00	– 1.93	15	1.30	2.56	53.63	34.00
OTC	Fred Meyer	MEYR	20.38	20.00	– 0.38	– 1.84	15	0.00	0.00	23.00	13.50
NYS	Penney, JC	JCP	67.25	67.25	0.00	0.00	11	2.24	3.33	68.75	47.63
NYS	Smith's Food & Drug	SFD	21.88	22.75	0.88	4.00	21	0.20	0.88	24.75	20.50
NYS	Wal-Mart	WMT	41.75	40.13	– 1.63	– 3.89	25	0.22	0.55	43.88	29.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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DRUG STORE NEWS

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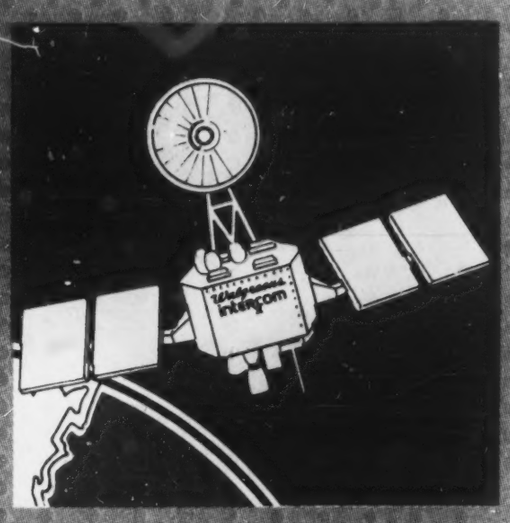
TOP OF WEEK FEATURES



Walgreens sponsors 'Nova' in Chicago

Susan Ball's "Ads and Promotions" column shows why this chain's execs jumped at the chance to be a local sponsor for this public television series. **Page 21.**

New looks, hot promos make waves in ethnic

Merchandising attention helps ethnic products go a long way, especially in aggressive retailers such as Perry and Harco. **Beauty Trends, page 23.**

LATE NEWS

• JACKSONVILLE, Fla. — Drug Emporium recently unveiled comprehensive Health Test Centers in three remodeled stores here, where a number of screenings can be done on-site.

• INDIANAPOLIS — The 120 Peoples Drug stores in Ind., Iowa, Ill., and Ky. bought in July by a team led by Roger Grass will be renamed Reliable Drugs, the company said.

• LIVERPOOL, N.Y. — Fay's Drug named Paul Novara gmm-H&BA and private label, replacing Frank Corcoran, who left. Douglas Best, Fay's OTC buyer, takes Novara's post of private label marketing manager.

• CLEARWATER, Fla. — Revco said it is selling its Woburn, Mass.-based Insta-Care Pharmacy Services Corp. to Eckerd for $7.1 million.

• CINCINNATI — Stanley Kohn, vp-professional services at HSI's SupeRx division, retires in November. David Lutz, currently pharmacy merchandise manager, will fill the post.

Generic controversy prompts chains to market 'confidence'

PONTIAC, Mich. — The ongoing generic drug controversy has prompted Perry Drug Stores to take out full-page ads in its biggest markets to try to calm public fears about the safety and quality of its generics. Other chains are considering similar moves.

The chain drug industry, and pharmacists in particular, are caught in the middle of a crisis in public confidence over prescription drugs and the legitimacy of the FDA's inspection and approval procedure. Although pharmacy executives and pharmacists defend the quality of their generics, they are dealing with an outbreak of consumer fears since the FDA/generic controversy came to light last summer.

Perry took an active role in dealing with those fears last month, when it ran full-page ads in the Sunday editions of *The Detroit News*, the *Detroit Free Press*, the *Oakland Press* and the *Flint Journal* to dispel concerns about generics. The boldtype ads advise customers "to make your pharmacist the first person you talk to" when discussing the quality of their prescription drugs.

'We felt we needed to tell our customers we were on top of the situation, reassure them, and steer them in the right direction.'

Signed by Perry chairman Jack Robinson, the ads also advise patients not to change their medication.

"We felt there were a lot of people who didn't necessarily even know where to go for information about this controversy," noted Bob Shapiro, vp-professional affairs for Perry. "We felt we needed to tell our customers we were on top of the situation, reassure them, and steer them in the right direction."

The ads also underscore Perry's attempts to keep its pharmacists up to date with information about the ongoing investigation of the FDA and the generics industry. "What the ad does is bring out again that pharmacists can be relied on to perform an important public service," Shapiro said. "We've been updating our pharmacists with new reports as

See **Generics,** *page 39*

LBOs motivating lean, mean retail machines

Part II in a series on leveraged buyouts in the chain drug and supermarket industries.

By James Frederick
with research assistance from Susan Ball

Focus on **LBOs**

The junk bond market is in a state of turmoil. Respected economists and business writers are beginning to question the whole concept of leveraged buyouts and the debt financing that makes them possible. Even junk bond king Michael Milken called in *The Wall Street Journal* for a return to equity-based financing in American business. With the default of highly leveraged Campeau Corp. and other firms, the word on Wall Street is that the era of highly leveraged takeovers and insider-led buyouts may be nearing an end.

True or not, the problems of Campeau, Revco D.S., Dart Drug Stores and other highly leveraged companies at least underscore one important conclusion: There's nothing like a good takeover scare or a serious debt crisis to turn a dormant drug or food chain back into a lean, mean, fighting machine.

The changes can be painful for both companies and individual employees who find themselves out of work. But the pressures induced by an LBO or a defensive restruc-

Continued on page 21

SupeRx marches out of Georgia, sells 10 stores to Thrift Drug

ATLANTA — Phoenix-based SupeRx, Inc. has pulled out of Georgia with its sale of 10 SupeRx stores here to Thrift Drug. The Pittsburgh-based operator will convert the stores into its Treasury Drug format, broadening its base in this hotly competitive market.

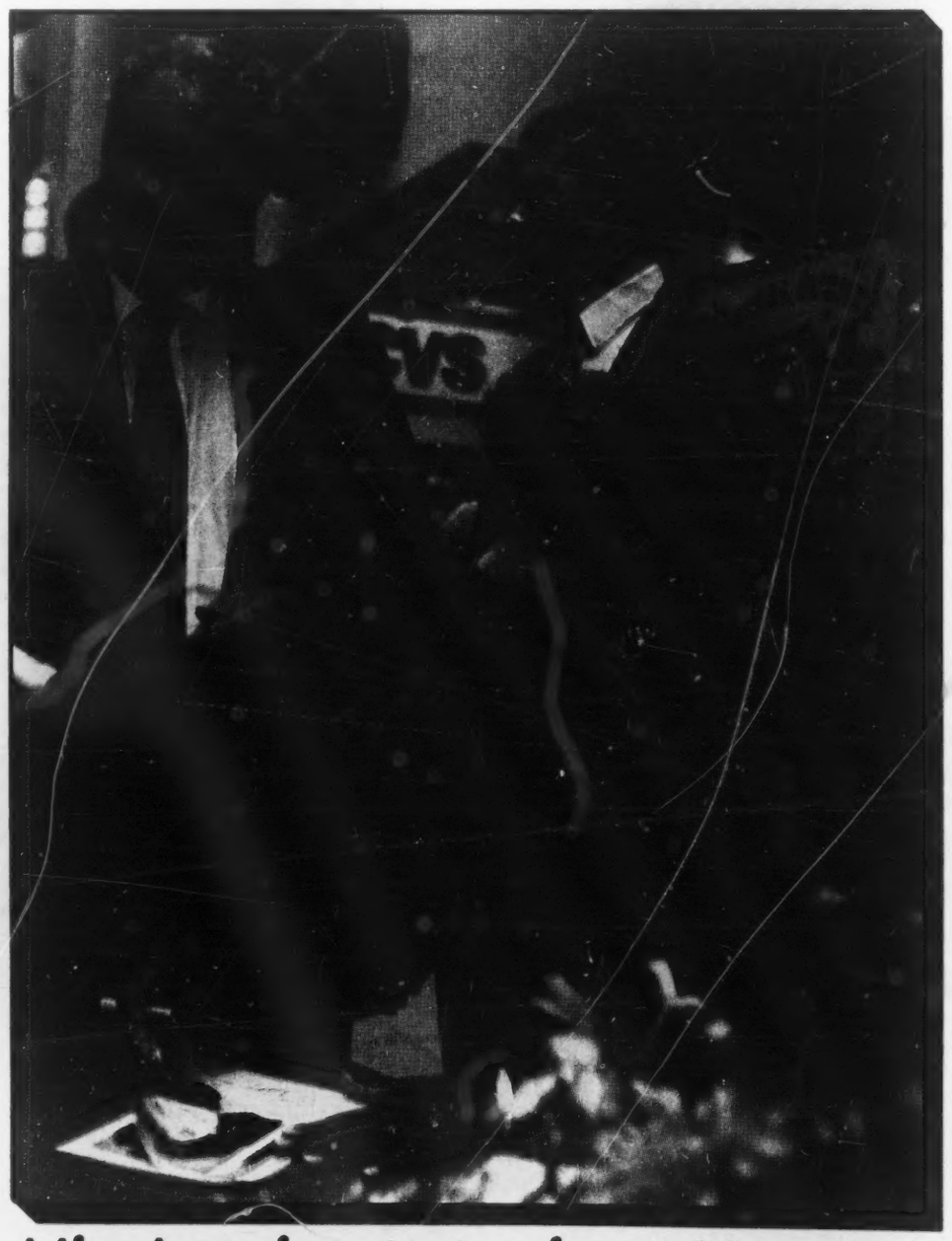
The sale stems from SupeRx's purchase last November of Medicare-Glaser, which grew SupeRx's store base from 63 stores to 173 stores, Jim Jumpeter, chief financial officer, told *Drug Store News*. SupeRx is training its focus on Phoenix and St. Louis; building in Atlanta was never part of the chain's long-range plan, he added.

"With a stronger store base, we can reevaluate and reassess where we want to operate, and take some specific action on assets not performing according to our expectations," said Jumpeter. The chain has no immediate plans to sell any other assets, including 12 stores spread throughout Alabama.

"We're going to assess each store and each market on its ability to stand alone," Jumpeter said. The SupeRx stores in Atlanta are profitable, he was quick to add, noting that five are freestanding and the rest in shopping centers or malls.

Thrift, for its part, now operates 52 Treasury stores in Great-

See **SupeRx,** *page 39*



Miss America starts reign at Mass. CVS

NORTH ATTLEBORO, Mass. — Debbye Turner, the newly crowned Miss America, made her first public appearance at CVS, Emerald Square Mall here late last month. Turner signed autographs and greeted CVS shoppers outside the store, while Ed Ferullo, key account manager of Gillette's Hingham, Mass., office, handed out free samples of bath soap. Photo: Mark Stockwell

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NEWS IN BRIEF

P&G acquiring Noxell in stock swap

CINCINNATI — Procter & Gamble, in a stock-swap agreement valued at $1.3 billion, will acquire Noxell Corp., maker of skin care goods and cosmetics.

Under the agreement, P&G will exchange 0.272 shares of its common stock for each of Noxell's 40.5 million common and class B shares. The tax-free transaction, based on P&G's closing price, would have a value of $32.60 per Noxell share.

The acquisition adds Noxell's Cover Girl and Clarion lines, and the Noxzema skin care line, to P&G's portfolio. Although P&G has a number of skin care products, such as Oil of Olay, Bain de Soleil and Clearasil, the purchase launches the company into the world of women's cosmetics.

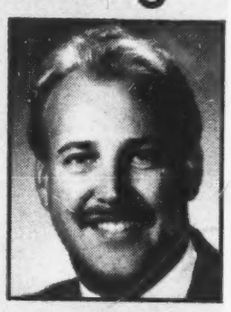
Walgreen continues Bay-area growth

SAN FRANCISCO — Walgreen Co. continues to expand in the San Francisco Bay area of Northern California. The chain opened five new units in the Bay region in the fiscal year ended in August, and is "shooting for eight more stores there in fiscal '90," according to company spokesman Tom Mammoser.

"We see the whole San Francisco Bay area as having potential for growth," he said recently.

In January, Walgreen president Fred Canning said that the chain would open at least 15 new units in that market by 1991. Walgreens currently operates 59 stores in the region.

Perry names Lund vp-merchandising



PONTIAC, Mich. — Stephen Lund has been promoted to vp-merchandising at Perry Drug Stores, reporting to drug store group vp-marketing David Green.

Lund, a 13-year Perry veteran, last served as assistant vp-H&BA merchandising.

"Steve Lund is an outstanding manager and he has been extremely effective in the merchandising of health and beauty aid products and our private label department," said Green. "I expect he will continue to make significant contributions to the company."

Med Shoppe tabs vp-store develop.

ST. LOUIS — Medicine Shoppe International has promoted Ronald Hofmeister to senior vp-store development responsible for the nationwide activities of MSI's operations, franchise development, acquisition and conversion and real estate departments.

Hofmeister, who has held many key positions since joining Medicine Shoppe in 1971, was most recently responsible for systemwide operations and franchise training. Before joining MSI, he was a pharmacist manager with the Osco Drug division of Jewel Companies, and, from 1969 to 1971, was a professional baseball player with the Baltimore Orioles organization.

A registered pharmacist, Hofmeister graduated from the University of Minnesota College of Pharmacy. He is an active member of the American Management Association, NACDS, NARD and the International Franchise Association, and has served on several committees of the American Pharmaceutical Association.

K&B bows small New Orleans unit

NEW ORLEANS — K&B opened a store last month in the Lakeview area here. At 6,500 square feet, the unit, formerly an independent drug store, is about half the 12,500-square-foot average for K&B stores.

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Coutu keeps 11 Cloutiers in deal closing this month

LONGUEIL, Québec — The Jean Coutu Group (PJC) is finalizing plans to purchase 15 of 23 Cloutier drug stores from Metro Richelieu, a local supermarket operator. Jacques Masse, executive vp-acquisitions and expansion of the 151-store Canadian chain, told *Drug Store News*, "We'll take possession of the stores in mid-October. Right now we're still having difficulties with the franchisees."

François Coutu, executive vp-pharmacies and public relations, confirmed, "On our side it's ready. Metro had some problems arranging this with their franchisees." He said that the chain will purchase the 15 Cloutier units and will close four of them, because these four stores are either too close to existing Coutu stores or are in bad locations. The chain will even close a year-old Cloutier store because it's down the street from a Coutu store.

"It's a consolidation of some areas we're not that strong in — especially north of Montreal," Coutu said.

The 15 Cloutier stores average 8,000 square feet and have a sales potential of $60 million. The purchase will give Coutu an almost 30-percent share of the pharmacy and OTC drug store market in Quebec, Coutu estimates. The chain also hopes to surpass the $1 billion mark in sales this fiscal year.

Plans to change the interior layout of these stores will be gradual. Coutu said it won't do much except change banners before Christmas.

In other news, Coutu's Ontario expansion plans are taking a different turn. With three stores currently operating in Ontario, the company planned initially to enter the region quickly with a major purchase, but since it is unable to find a seller in this market, its strategy now will be to enter Ontario on a store-by-store basis, through independent purchases. This move is expected to begin at the end of this year.

The company also plans to open six new stores to be built from the ground up by the end of this year.

Drug stores rally in Hugo's wake to provide Rxs, supplies to S.C.

By Christine Bizzarro and Susan Ball

CHARLESTON, S. C. — After Hurricane Hugo blew through the Carolinas, drug stores hurriedly cleaned up their damaged stores and reopened for business, providing prescriptions and emergency supplies to residents.

At press time, people in parts of North and South Carolina were waiting for power to be restored, five days after the storm. Heavy rains caused flooding, delaying efforts to restore drinking water.

Revco, with 269 stores in North Carolina and 189 in South Carolina, gave away bottled water to customers on Monday, Sept. 25, in Charleston, S.C.

Kathy Obert, spokeswoman for Revco, which operates 22 stores in Greater Charleston, said: "We started giving out two gallons of water per customer on Monday morning."

Revco issued public service announcements to radio stations, the newswires and TV stations, Obert said. "We told people to consult their Revco pharmacist or physician on questions about their maintenance medications, and we stressed that patients shouldn't be without their blood pressure, diabetes, thyroid and heart medications. We also told people which emergency stores were open in their area," Obert said. She said that when Revco stores initially opened, primarily for emergency items and prescriptions, she heard reports that shoppers were lined up "50 and 60 deep."

Charleston customers were also lining up at Rite Aid stores, which were among the first retailers of any kind to open after Hugo, a Rite Aid spokeswoman said. Before the hurricane hit, all Rite Aid stores were boarded and taped, floor displays and bottom-shelf merchandise were moved higher, and pharmacy computer disks were removed. On Sept. 21, Rite Aid more than tripled its scheduled shipments of bottled water and batteries to its Columbia, S. C., DC for distribution to its 20-plus stores in Greater Charleston, and was still rushing supplies daily to affected areas at press time. Candles, charcoal, grills, beer and toys were other items in demand.

Rite Aid store planning and operations teams, as well as construction companies the chain had contacted, were on site, ready to start repairs. Although Rite Aid stores generally were not badly damaged — mostly flooding and windows out — the back wall of one unit was lost to the storm, and only three stores had electricity; the rest were running on generators. Early on, pharmacists tending darkened stores filled prescriptions by flashlight.

> On Sept. 21, Rite Aid more than tripled its scheduled shipments of bottled water and batteries to its Columbia, S. C., DC.

Ruben Johnson, executive vp for 22-store Crown Drugs of North Carolina, said, "We didn't expect much damage and didn't get much." In three of its stores, Johnson said, the power went out for several hours. "We stayed open and waited on customers the old way, with calculators at the registers and pharmacists pulling out old typewriters."

Pharmacists also filled prescriptions on manual typewriters at Sentry Discount Drugs. The company operates two stores in Columbia, S. C., which experienced a four-day power outage, but Doug Sutton, buyer, said they remained open to sell such emergency items as batteries, lanterns and prescriptions. "We hooked up a 12-volt battery for light in the pharmacy and used a manual typewriter," Sutton said.

Sutton told *Drug Store News* of one loyal Sentry shopper who came up to him on Sept. 23, while Sutton was manning the store entrance, allowing only a few customers in at a time. "I just wanted to say thank you," she told Sutton, who replied, "That's what we're here for." Sutton then realized she had just filled her blood pressure medication and was obviously shaken by Hugo's wrath. He helped her into the store's office and gave her water to take her medication.

Problems in St. Croix

Meanwhile, in the Virgin Islands, St. Croix, which had been devastated by Hugo on Sept. 17, still did not have a pharmacy open by Sept. 27. Pharmacist Gayle George, of St. Thomas Apothecary, said she was sending what she could to the stricken island, including sanitary napkins, insect repellent, alcohol, toilet paper and toothpaste. "There is no insulin on St. Croix," she told *Drug Store News*. "We're waiting for a shipment of batteries to send, but they haven't come yet. It's been real tough."

A customer in her store who had flown from St. Croix to get prescriptions filled for his family was planning to take back any supplies she could contribute.

Marvin Goldman, chairman of Gulf Distribution in Miami, Fla., was helping to organize a relief effort for Virgin Islands pharmacists in his capacity as chairman of the Pharm-Assist Committee of the Dade County Pharmacy Association.

Goldman said, "St. Thomas wasn't too badly hit, but St. Croix was pretty well knocked flat. We still don't know whether some [pharmacy operators] are dead or alive yet."

OPINION

Positive action key to generic woes

IN THE MARKET
BRUCE BUCKLEY

As the generic story unfolds, I think there are several observations that need to be stated:

- Generic drugs will continue to be the key to pharmacy cost-containment in the '90s.
- The retail drug store industry has a large stake in the safety and efficacy of generic drugs.
- After some tough actions by government and the generic industry itself blow away the stench, the industry will emerge as stronger and, in the public mind, as reliable as ever.

That's why it was good to see the proactive approach being taken by Perry Drug and others (including NACDS) in approaching the difficult situation created by the generic drug scandal.

Perry's approach has been to go to the public with full-page ads designed to "clear up any confusion and to restore your peace of mind" about generics. The instrument for this reassurance? Perry's knowledgeable pharmacists. The chain keeps its pharmacists up to date on the situation by issuing once- or twice-weekly bulletins. Use of the pharmacists also underscores their role as key health care providers and consultants, a long-term benefit to Perry and the drug store industry.

Other chains, such as Medic Discount Drug in Cleveland and Harco Drug in Tuscaloosa, Ala., are also acting positively to the controversy instead of burying their heads in the sand. NACDS is supplying all its members with valuable information about developments in its Generic Drug Update.

The efforts of these and others show just how strong and effective the drug store industry can be when it comes to a threatening storm.

* * *

I have a tip for you. The next time you fly into New York's LaGuardia Airport with midtown Manhattan as your destination, ask the cabbie to take you into the city by way of the 59th Street Bridge. If you're going to any midtown destination, that route will save you about six bucks over the usual Triboro Bridge route, without any loss of time.

If you take my advice, however, be prepared to endure the sulkiness (if not downright abuse) of your cab driver, who counts on the three extra miles of the Triboro route to make up for his/her airport waiting time.

I add this warning because I just encountered the extreme end of New York cabbie surliness and abuse when I requested my usual route from LaGuardia to our office in midtown. (Tip: I always ask for a favorite route of cabbies themselves when they return empty to Manhattan after dropping off fares at one of New York's airports: Grand Central Parkway to Crescent Street to the 59th Street Bridge.)

To make a long story short, after a brief, but salty diatribe about my ignorance concerning Queens, N.Y., streets (where I grew up), the cabbie took me to the 59th Street Bridge, all right, but chose his own route, which added eight blocks and five minutes to the ride. So much for customer preferences.

I could have taken down the cabbie's name and number and complained to the Taxi Commission. But I didn't. Just as I don't complain to the manager of my local drug store or supermarket when a sales clerk is surly or slow.

A wimp, you say? Perhaps. But I would guess that the vast majority of Americans choose to suffer in silence when encountering poor or overbearing service or no service at all. They just get even the next time by selecting another store (or bank or airline or whatever). There's no great revelation in this. It's something that every retailer knows in the bones. The best operators maintain constant vigilance and reward top-notch service. Their own reward is increased sales and profits.

Now, can anyone tell me a fast, reliable alternative to New York City taxis?

Handicapped rights bill to impact industry

WASHINGTON PERSPECTIVE
KEN RANKIN

Congress is closing in on legislation offering broad new civil rights protections to the disabled — a bill with potentially far-reaching implications for the drug store industry.

The version passed by the Senate last month by a lopsided 76-to-8 vote would ban job discrimination against the handicapped and require retail pharmacies and other employers to make "reasonable accommodations" to facilitate the employment of disabled job applicants.

What does Congress consider a "reasonable accommodation?" Among other things, drug chains and independent pharmacies could be required to "restructure" job duties or assignments, switch to "part-time or modified work schedules," and make "appropriate changes" in personnel policies, training materials and employment examinations.

In addition, the bill states that employers may also be expected to modify existing workplace equipment or purchase special new "devices" to accommodate disabled workers. Moreover, drug stores could even be required to hire additional personnel, such as "qualified readers and interpreters" to assist handicapped individuals with their job duties.

Those new employment rules are only one part of this legislation. A potentially even more controversial section of the bill outlaws discrimination against the disabled in "public accommodations." which the legislation defines to include retail stores such as "pharmacies."

Under this provision, drug stores would be obliged to take affirmative steps to become more accessible to the handicapped.

A key element of the bill requires that drug stores and other places of public accommodation be made structurally accessible to individuals in wheelchairs and other handicapped individuals.

Stores undergoing "major structural alterations" as well as new facilities opened 30 months after enactment of the bill must make physicial changes to ensure that "the paths of travel to the altered area and the bathrooms, telephones, and drinking fountains serving the remodeled area, are readily accessible to and usable by individuals with disabilities."

Even pharmacies not undergoing renovations would be expected to take all "readily achievable" steps to remove architectural barriers to the handicapped.

How much would structural changes cost? Plenty. Sen. Orrin Hatch (R-UT), who sought unsuccessfully to compensate independent druggists and other small businesses for these expenses via tax credits, told Congress that modifying restrooms to accommodate the handicapped alone could cost some $2,000 to $3,000 per unit.

Operators found in violation of the new anti-discrimination rules could be slapped with fines of up to $50,000 for the first infraction and $100,000 for the second.

The legislation has the support of the Bush Administration and is likely to pass this fall.

The employment discrimination ban does not take effect until 2 years after final enactment, and then independent pharmacies and other small businesses with fewer than 25 workers will be exempt. Two years later that exemption will be pared back to exclude only firms with less than 15 employees.

In contrast, the public accommodation provisions take effect 18 months after enactment, and even the smallest businesses would be covered by these rules.

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BEAUTY TRENDS

From the top: "Different World" Jasmine Guy uses oil sheen sprays to enhance her naturally curly hair. Phylicia Rashad, from "The Cosby Show," opted for a rounded crown with full, slightly layered bangs to give her a soft, free-flowing look. Singer Whitney Houston uses extensions to enhance her image. Holly Robinson of "21 Jump Street" shed her long locks in favor of a chic crop and gained greater styling freedom. Top three photos courtesy of *Sophisticate's Black Hair Styles & Care Guide*. Bottom photo ©*Sophisticate's Black Hair Styles & Care Guide*.

New looks, hot promos making waves in ethnic

Drug chains commonly report 4 to 5 percent increases in ethnic sales, though the most aggressive retailers—Perry and Harco among them—are experiencing up to 12 to 15 percent gains in high-volume ethnic stores. Merchandising attention goes a long way at these operators.

Industry sources state the category has changed little since spring and there are few noteworthy new products stimulating purchases.

Jim Normandin, buyer at Beauty Enterprises in Hartford, Conn. notes that bonus sizes are driving the category just as last year and that TCB has done an exceptional job in generating sales and market share growth through some very aggressive bonus size promotions.

However, a number of distributors including Normandin think that the fall/winter period might get much better, helped by the popularity of a new salon look created by Soft Sheen, one of the leading ethnic product suppliers.

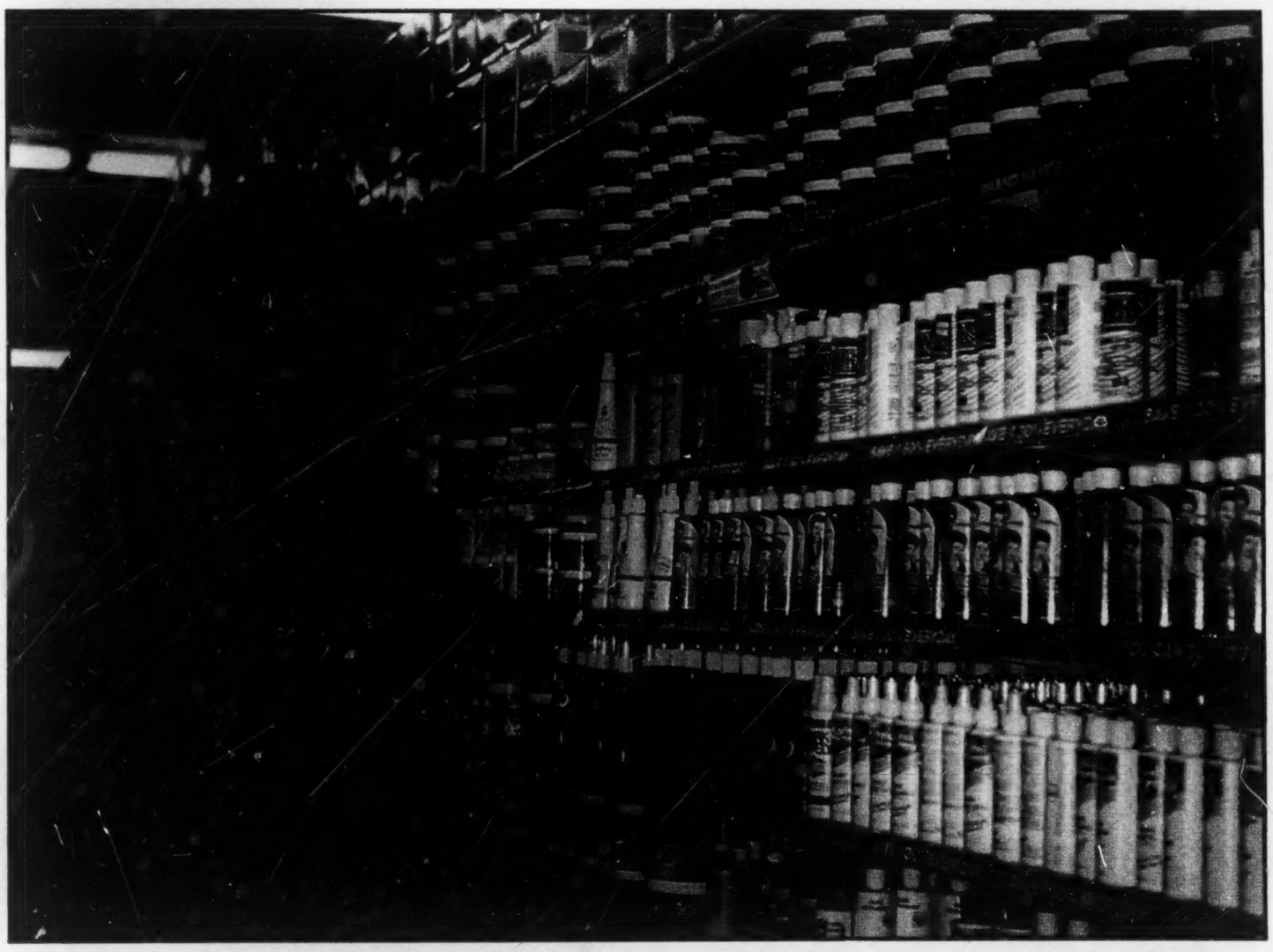
The style is called Wave Nouveau, described most often as a body wave or "dry" curl. Sources call it one of the hottest looks on the market. Among them, Normandin says the Wave Nouveau mist and lotion that Soft Sheen sells to women through salons exclusively are the "hottest" salon maintenance products he's seen in years.

Soft Sheen is introducing a retail version of those maintenance products to the mass market. Most ethnic product buyers think these items, which are shipping now, could be real winners. At least two other manufacturers, Pro Line and Worlds of Curls, are also coming out with maintenance products for the dry curl.

Normandin says he thinks the Soft Sheen dry curl maintenance products "will be in the top 10 dollar sales in their first six or seven months" because these products support a new type of hair style."

In the Midwest, Dan Medow, president of Standard Distributing, also felt the Soft Sheen Mist and Lotion could do well.

Medow, noting that other manufacturers are coming out with similar products also targeted toward the Wave Nouveau/dry wave customer, says he thinks this is a good early sign that dry wave products could be the next hot growth area.



Courtesy of *Sophisticate's Black Hair Styles & Care Guide*.

Ethnic shoppers respond to stores that stock a broad product assortment at low everyday prices.

"The Wave Nouveau look is a good style," he said. "It's popular. But the faster they bring the products out, the better it will be."

"Dry look maintenance products should do great," added Chuck Lewman, president of Paul's Sundries in Los Angeles. "Soft Sheen has built a large enough clientele so there should be

Continued on page 26

Buyers pinpoint ethnic "leaders of the pack"

Ethnic product buyers agree that several suppliers and particular lines have outdistanced the rest of the category in innovation and growth during 1989. They cite these efforts as having led this year's single-digit ethnic growth, and building promise for 1990.

They mentioned most often: Revlon, particularly with its Creme of Nature line; Schering-Plough, particularly with Artra; Lustrasilk, especially with Right On and Right Back; Kiwi with Ambi; Luster Products, especially with Pink Oil and S-Curl; Pro-Line, particularly with its relaxer kits; Carson with Dark & Lovely; Supreme with its Raveen relaxer kits; Johnson Products with Gentle Treatment; Worlds of Curls with its gels and moisturizers; and Soft Sheen with Care Free and Optimum Care.

Among the smaller, more regional companies, buyers also singled out Little Rock-based J.M. Products for Stylecrest ISOLPLUS; Atlanta-based W & W Pharmaceuticals for Back Alive Curl Revitalizer; and Chicago-based D'orum for Leisure Curl.

Soft Sheen

Soft Sheen is regarded by sources as the strong supplier in ethnic because its management knows salon trends from its salon division, enabling the company to react quickly.

"They know the trends and they start the trends," says Jim Normandin, ethnic buyer at Beauty Enterprises. "They started it with Care Free in the salons years ago and they did it again with Optimum Care earlier this year."

"Soft Sheen is still number one when it comes to innovation," adds Dan Medow, president of Detroit-based Standard Distributing.

"Soft Sheen has the best marketing strategy of any ethnic company," says Chuck Lewman, president of Los Angeles-based Paul's Sundries.

"They build a salon business, educate the consumers

Continued on page 28

Percentage change in annual ethnic product dollar sales

(In millions)

Retail segments	1986	1987	1988	1989*
Drug	8.1%	6.2%	(0.2)%	7.5%
Food	(0.7)	(0.9)	(1.7)	5.4
Mass merchandise	(11.6)	(8.6)	90.2**	(5.8)
All mass retail outlets	2.9	(5.1)	10.4	4.2

*For the 12-month period ending March/April
**Reflects a change in sample size.
Source: Nielsen Marketing Services

Ethnic Merchandising

BEAUTY TRENDS

Ethnic hair design facing the '90s with style, flair

By Jocelyn T. Amador,
Associate Editor,
Sophisticate's Black Hair Styles And Hair Guide

The beginning of a new decade brings with it exciting shapes, textures and colors for black hair design.

New technology has produced innovative products which make it possible for today's stylists to turn their design visions into reality.

What will be popular in 1990? What maintenance products can retailers expect to see a demand for?

At *Sophisticate's Black Hair Styles and Care Guide*, the leading black hair consumer newsstand publication in the nation, we see a number of things happening.

Right now, the dominant hair fashion is, as it has been for the past several seasons, variations of the "high hair" design, looks with volume plus height.

With the advent of the 1990s, we will see a movement toward sleeker, neater styles which will take their clue from the slim clothing silhouettes so prevalent in the fashion industry.

Emphasis will be placed on horizontal movement, with more fullness extending out from the sides and "flatter" head shapes as opposed to the vertical silhouette of the past.

'90s look will be customized

Gone are the days when only one cut dominated hair fashion. In the '90s the look will complement an individual's life-style, fashion preferences and available maintenance time.

Taking their cue from the changing demand of customers, manufacturers are now formulating products that either stylists or consumers can use to cater to specific needs. For example, Be Natural Products, a subsidiary of Pantresse, Inc., has introduced the Short Cuts Salon Styling System to aid in styling cropped cuts; and Soft Sheen Products, Inc. has its Wave Nouveau body perm system, which stylists use to create designs that have the look of a relaxer but with the versatility of the curl.

The new popularity of wigs, such as those designed by the Naomi Sims Collection, Afro World and The Hair Factory, also give consumers their choice of a wide variety of individualized looks with minimal fuss.

The looks to come

As editors at *Sophisticate's Black Hair* magazine see it, the new styles this season will be soft, sleek and swingy.

Shapely little cropped cuts, reminiscent of the dome or bowl shapes which hug the head, will dominate.

Singer Deniece Williams models a longer style with a smooth texture and forward moving fringes.

Scalps, in turn, will have to be kept healthy, and to manage this, it will be necessary for consumers to use deep-penetrating conditioners, such as the Estolin Castor Oil Treatments.

Shape is now more important than length. The latest cuts complement the facial structure. Tresses are shaped to move forward toward the center of the face, with the help of clipped bangs and fringes.

You'll soon be seeing variations of the shag cut, in particular, the "square shag" crop, so named because it gives extra volume at the sides while the crown area is kept flat for a squared-off silhouette. Controlled looks like these can only be achieved with products that keep the line of the cut such as Worlds of Curls Phase 2 Home Care System.

Moving with the flow

In order to achieve the necessary movement in the hair, these new streamlined designs require the mane to be at least partially relaxed.

Hair care manufacturers are responding to this trend with improved relaxer formulas which are gentler on the hair while providing the added bonus of a conditioning treatment. Pro-Line's Soft and Beautiful Volume Plus No-Lye Relaxer, Luster's PCJ No-Lye Conditioning Creme Relaxer, and Revlon Realistic No-Lye Creme Relaxer are just a few examples.

High shine

The sleeker, smoother textures that are emerging now for the '90s require that hair be healthy so it can reflect a high, shiny gloss.

Styling aids such as Revlon's Realistic Finisheen Oil Sheen & Conditioning Spray help enhance gleam.

In addition, products that help prepare the hair for styling, such as Luster's Pink Oil Moisturizer, Lustrasilk's MoistureMax Oil Moisturizer Hair Lotion, LeKair's Styling Gel and All Ways Natural's Super Gro, along with a complete maintenance line like Knight Hair Care's Knight Nutritional Hair Supplements, American Beauty Product's hair care line, and Dorum's Leisure Curl line will encourage customers to follow a regular maintenance program at home.

Great lengths

The popularity of hair extensions will also continue to be strong into the next decade. Complete easy-to-use kits such as Pro-Line's Weave Re-Nu Weave Maintenance System and Gentille's Hair Weaving Maintenance System are just some examples of the types of weave care products that consumers will be looking for.

With the advent of the 1990s, we will see a movement toward sleeker, neater styles which will take their clue from the slim clothing silhouettes so prevalent in the fashion industry.

Singer Anita Baker favors a pixie cut that hugs her face. The look accents her eyes and delicate bone structure.

Actress Anne-Marie Johnson from "Heat of the Night" prefers a variation of the shag cut, updated for the '90s with a slightly square silhouette.

Color innovations

Hair color will continue to play an important role in the year ahead. The trend now is leaning toward darker, deeper, richer hues which play up the simple silhouettes of the season.

Manufacturers such as Carson Products' Dark & Lovely and Clairol's Nice & Easy are developing new color collections which will include this rich color spectrum. Carson Products' Reviving Colors is also popular with women who want to enhance the natural color of their hair.

But the most important fact about black hair care fashion is that it is constantly evolving and changing. It is always the latest innovative designs that define the look of today's modern black consumer.

And it is the challenge of staying on top of these many changes that makes the future of black hair design so exciting for the editors at *Sophisticate's Black Hair Style and Care Guide*, for stylists and for retailers who provide the maintenance products that the modern black consumer needs to remain in fashion.

British singer Mica Paris sports the clean lines and rounded shape of the new look of the '90s. All photos on this page courtesy of *Sophisticate's Black Hair Styles & Care Guide*.

Helping black women pick cosmetics best for their skin types

Type of product	Recommendation
Foundations	Suggest a foundation formula based on skin type and desired coverage. Stay with formulas that produce medium to maximum coverage to create a unified skin tone. Recommend an oil-free foundation for women with oily skin. Suggest that a woman with normal skin use a water-based formula. And recommend an emollient foundation like a matte cream for a woman with dry skin. Advise against foundations that reflect a red, rosy or ashy hue. Look instead for a foundation that gives warm, olive tones.
Face Powder	If a woman buys a foundation, recommend she buy a face powder as well. If she buys the powder, suggest a foundation to complete the look she's after. Recommend a translucent powder to set or a tinted powder to correct or tone the foundation. A translucent powder will also absorb shine, especially on the nose.
Cheek	Advise against frosted shades. Recommend rich reds-plums for dark skin tones. Warm tawny shades for medium to light skin tones.
Eyes	Avoid frosted colors. The best and safest choices are matte browns, prunes, burgundies and rose. Recommend semi-frost roses, beige and gold colors for highlighting underneath the brow.
Lips	Go for color. Avoid high frost, chalky, pale colors. For uneven lip color, recommend applying foundation to the lips to even out the lip color. This will insure stay-true color. Suggest that your customer try complementing the color on their lips to various eye shades.

Source: Clarissa Wilson, Simply Satin Cosmetics

BEAUTY TRENDS | **Ethnic Merchandising**

New looks and hot promotions make waves in ethnic business

Market share change in ethnic product sales

(Percentage share in annual dollar sales in millions)

Retail segments	1985	1986	1987	1988	1989*
Drug	59.2%	62.2%	61.5%	55.6%	57.4%
Food	26.1	25.2	26.3	23.4	23.7
Mass merchandise	14.7	12.6	12.2	21.0**	19.0
All mass retail outlets	100.0	100.0	100.0	100.0	100.0

*For the 12-month periods ended March/April

** Reflects a change in sample size.

Source: Nielsen Marketing Services

Continued from page 23

a strong demand when they hit the retail stores."

Lewman thinks that between Optimum Care and the current emergence of new dry curl maintenance products, retailers could see category sales increase as much as 7 to 8 percent over the year's final few months, he estimates.

In the men's hair care market, however, the fashion outlook is a little less exciting. Men are still wearing their hair short, but more men may be letting it grow out on the top of their heads, and more men may be opting for geometric cuts.

In the Midwest, Medow said he has noticed a slight change in styling preferences for men. He said they seemed to be growing their hair longer on top while keeping it short on the sides.

"It's the 'high top look,' " he says, "and although it's too soon to say, it could cause men to start buying more styling, conditioning and texturizing products."

On the West Coast, Lewman says short hair is still very in. The geometric cuts are visible, but they don't seem to be as strong or as popular there as in the East and Midwest. "Basically," he says, "we're still seeing a lot of short hair and that means our strongest sales are in good, basic maintenance products, conditioners and hair treatments especially.

Lewman says that in his area, petroleum-based products tend to do exceptionally well because they moisturize the hair. He says he's noticing that castor-oil conditioners have become a "sleeper" category, doing a good, solid business year round.

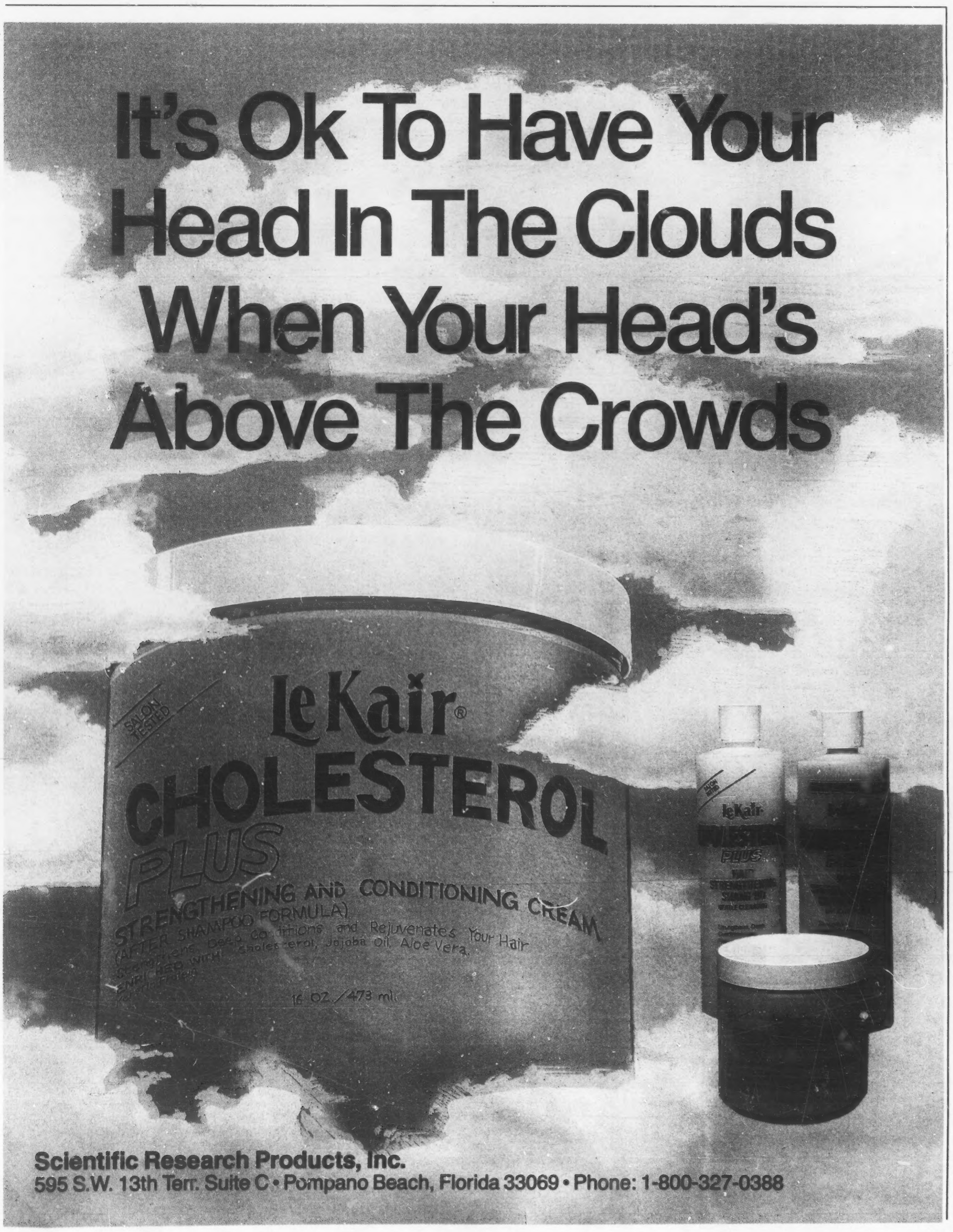
His three best sellers are the All Ways Natural Castor-Oil for the Hair, Isolplus Castor-Oil and Bonner Brothers Castor-Oil.

The braid look is still popular, especially on the West Coast, but distributors say the style's popularity has not

yet reached the point where sales can be translated to the retail market.

In the spritz category, Medow thinks ethnic product manufacturers are starting to capture sales more effectively from general market brands. "Until recently, there's been a lot of crossover buying with spritz," he says, "but now the ethnic product manufacturers are starting to catch up."

Photos: ©Sophisticate's Black Hair Styles & Care Guide.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Luster sales vp elected as AHBAI chairman

CHICAGO — Jory Luster, vp-sales and marketing at Luster Products Co., has been elected chairman of the American Health and Beauty Aids Institute.

Luster succeeds Gary Gardner, president of Soft Sheen Products. Gardner served as chairman from 1987 through August 1989.

Geri Duncan Jones, executive director of AHBAI, described Luster as "one of the most dynamic young leaders in the industry today."

She said that the AHBAI's "commitment to growth in both the retail and professional segments of the industry will be enhanced by his leadership."

Since its founding eight years ago, AHBAI has grown to become a leading force in the ethnic H&BA industry.

BEAUTY TRENDS | **Ethnic Merchandising**

Buyers pick ethnic products that are 'leaders of the pack'

Ethnic product sales five-year growth trends

(Annual dollar sales in millions)

Retail segments	1985	1986	1987	1988	1989*
Drug	$152.7	$165.0	$154.9	$154.5	$166.1
Food	67.2	66.7	66.2	65.0	68.6
Mass merchandise	37.9	33.5	30.6	58.3**	54.9
All mass retail outlets	257.9	265.3	251.6	277.8	289.5

*For the 12-month periods ended March/April
** Reflects a change in sample size.

Source: Nielsen Marketing Services

Continued from page 23

through the salon people, then when their maintenance products reach a critical mass point, they take them out of the salon and into retail and they hold the allegiance of the salon people by giving them something new to work with," Lewman added.

"Several years ago, they [Soft Sheen] streamlined their operations, and starting with Gold, they've been on a winning streak," says Mike O'Neil of Harris Beauty Supply in Atlanta. "They successfully launched their Sporting Waves Texturizer Kit. Their sales for Care Free are strong, and now they have had a great launch with Optimum Care."

Carson

Carson is another company often singled out for being innovative and strong on marketing. The Carson line of Revitalizing Color highlighters, launched nearly two years ago, is moving well at retail now, sources said.

The innovative line was the first to let women add color to their hair immediately after relaxing it rather than two weeks later. It was also the first retail line to let women enhance the natural color of their hair while adding highlights, as opposed to covering their natural color with permanent coloring.

"It probably brought new users into the hair color category," says Medow. "It gave women who were uncertain about coloring their hair an easier way to go."

One source called Carson "the most progressive company in the market," adding that it usually has "the best marketing programs and follows through with commitment."

Our sources also singled out Culver's TCB division and Luster Products for being exceptionally skillful at marketing their products. Both companies are aggressive with bonus packs, which are helping them gain market share, buyers said.

Culver/TCB

TCB at press time was shipping what appears to be the industry's first 75 percent-off bonus pack on its TCB 14-ounce hair and scalp treatment and hair food conditioner. TCB has priced the 14-ounce pack at regular 8-ounce retail.

Buyers said that among styling aids, the TCB Oil Sheen is a top seller even though it is priced higher than some competition.

Mike O'Neil at Harris described TCB's new Unscented Oil Sheen as "fantastic." While reports on the new Design Effects line are mixed, some sources say the line is doing very well, especially in the Midwest where Chicago-based Culver has a loyal following.

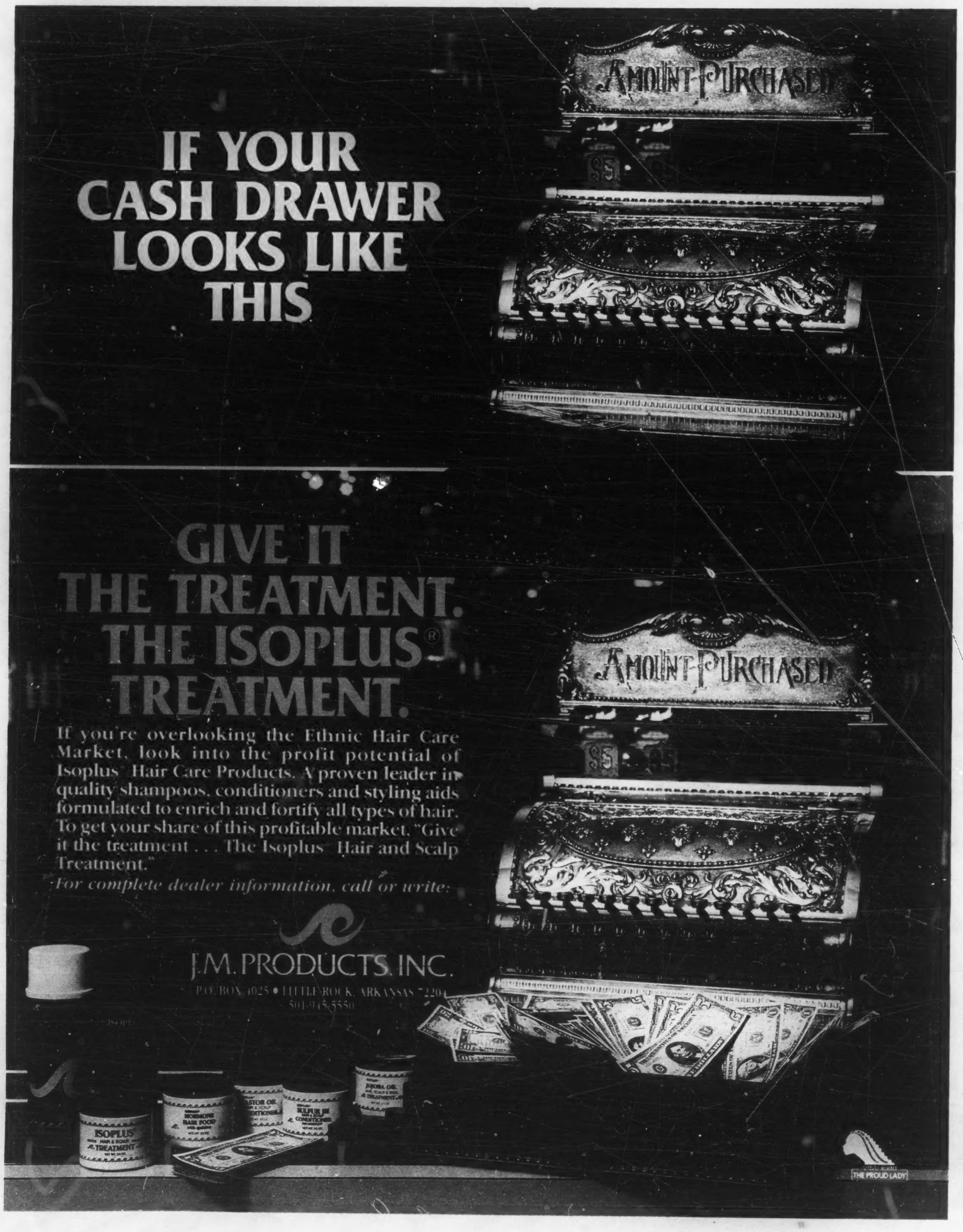
Luster

Luster has just finished a successful bonus pack, offering 50 percent off its Pink Oil moisturizer.

Luster also stages one of the industry's best consumer promotions: its S-Curl Male Model search.

Luster does a good job pass-

Continued on page 30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BEAUTY TRENDS

Ethnic Merchandising

Buyers pick 'leaders of the pack'

Continued from page 28

ing on bonus packs and other added-value programs, like 50 percent more product free, one trade source said. "They don't have many items, but what they have they do well with. Moisture Oil, for example, has been around for 20 years or so, but they were the first to come out with the Pink Oil concept."

Pro-Line

Pro-Line was also singled out, for being aggressive and for figuring out what the consumer wants "from the grass roots up." They were the first to come out with a men's comb-through kit and "that flew through the stores," said one source.

Chuck Lewman, president of Paul's Sundries, singled out Pro-Line as a "consistent manufacturer who keeps things happening. They're like the baseball player who consistently hits singles and doubles instead of always going for the home run," he said.

"Most of the time, companies are just bringing out 'me too' products in this industry," said Ken Humphreys of Jack's Service. "Pro Line is not a 'me too' company. They find a good product. They develop good packaging, and they're innovative."

Revlon

Revlon was also singled out by many buyers as above average, primarily because it promotes so aggressively. Many agreed that to consumers, the Revlon name "is magic."

"They know how to get the most mileage from their advertising in fashion magazines," said Chuck Lewman at Paul's.

Revlon's Creme of Nature, for example, has been around for years with a strong following. Sales have risen dramatically in recent months, largely because the company has stepped up consumer support for the brand. Couponing has also been aggressive, helping Creme of Nature to capture trial sales that lead to repeat purchases.

Revlon was also singled out by many buyers as above average, primarily because it promotes so aggressively. Many agreed that to consumers, the Revlon name "is magic."

Lustrasilk

Since being acquired by Gillette, Lustrasilk's star has been rising with retailers. One buyer said the company "keeps its word about advertising and is very strong in positioning products to different niches in the market." Most of the sources added that Lustrasilk seems to have another winner this year with its launch of Moisture Max.

Posner

According to many buyers, Posner has emerged as the strongest mass market ethnic cosmetics line. Several distributors went so far as to say Posner is their best selling line, with sellthrough helped by complete programs and ongoing introductions of shades.

Worlds of Curls

Most buyers described Worlds of Curls as a "good, solid company" that is successfully negotiating the passageway from strong regional to national player. Buyers say it does a good job with bonus packs, and it has one of the best-selling curl activator gels and moisturizers on the market.

Johnson Products

The consensus among buyers about Johnson Products is that while it may not have done anything particularly dramatic lately, its management has moved ahead in a consistent and reliable fashion and is continuing to do an especially good job to support Johnson's Gentle Treatment relaxer line which remains a top seller.

Kiwi Products

This year, a number of buyers said their ethnic skin sales are growing, particularly earlier this year when sales in some markets were up by as much as 15 percent. Buyers credited Kiwi Products for its intensified support for Ambi, and Plough for its increased support of Artra.

Continued on page 32

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BEAUTY TRENDS | Ethnic Merchandising

Buyers pick ethnic product leaders

Continued from page 30

Most sources said Kiwi has developed excellent marketing programs for Ambi, which helped make Ambi the leading brand in ethnic skin care.

Plough

For years, Plough has had some very good brands in ethnic products, Black & White, Artra and Sulphur 8, for example. In 1989, Plough's increased attention to these brands began paying off, buyers said.

Plough eliminated its direct sales force and signed on with ethnic product distributors. It also repackaged some of its lines, and has been much more aggressive in promoting and advertising them. Sources said Plough plans to continue to increase support for its brands.

Several buyers also said that as sales of the Venus de Milo skin care line continued to decline, Plough has been able to effectively position Artra as an attractive alternative. Artra has now become, most sources said, "a very strong number two to Ambi in skin care."

Supreme Distributors

Supreme supported Raveen so well last year with coupons, rebates and other price discounts that it succeeded in taking market share from category leader Dark & Lovely, sources said.

Carson fought back by repackaging Dark & Lovely, and its share is up this year, according to most sources, but the gains haven't come at Raveen's expense.

Most sources say Raveen is still shooting out the doors, but this time without as much aggressive discounting.

D'orum

According to many buyers, D'orum is a good example of a company "in the right place at the right time." Although some buyers say D'orum as a company could be more flexible, there is no argument that its maintenance products in the Leisure Curl line are popular.

Leisure Curl evolved from D'orum's professional or salon lines, and the consumer apparently associates the brand with high quality and a salon image.

J. M . Products

Among the smaller regional companies, a firm named J.M. Products has been making a splash with Stylecrest ISOLPLUS, a conditioner/hair dressing.

Some distributors think that Stylecrest ISOLPLUS sales may still be strongest in

the Southeast, where J.M.'s headquarters are located, but they add that the brand is becoming more national everyday.

W & W Pharmaceuticals

Several buyers also singled out W & W as a superior regional, noting that Back Alive Curl Revitalizer is a strong category seller. They cite the brand's bonus packs and consumer value orientation.

Afrotique

Just about every buyer mentioned Afrotique, a division of Sara Lee, as the leader in the hosiery category. "It's an unbelievable line," said Michael O'Neil from Harris Beauty Supply. "They promote every quarter and it just blows out of the stores. They've got a very good program, and are expanding at a rapid rate."

The Satin Doll, Dark & Lovely and Brown Sugar hosiery lines were also singled out for doing well in several markets.

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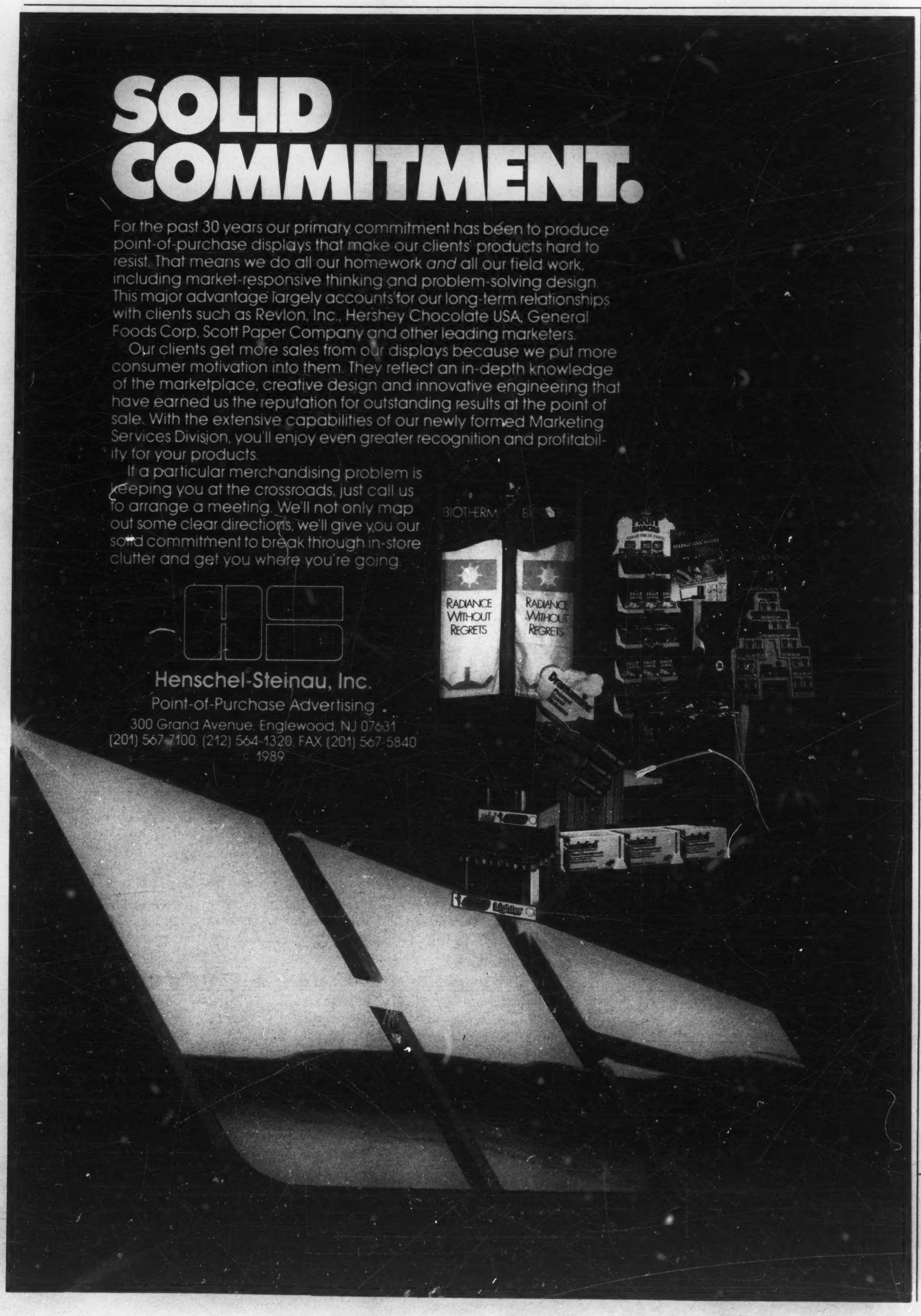

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BEAUTY TRENDS | **Ethnic Merchandising**

Beauty and barber shops competing for share of ethnic sales

Beauty and barber stores, which stock large assortments of ethnic products in ethnic neighborhoods, are continuing to grow dramatically.

In the Midwest, the West Coast and New York especially, B & B shops are proliferating, up to nearly 5,000 in total, according to best estimates. Many are mom-and-pops, but effective nevertheless. Distributors say much of their own growth is coming from the ongoing expansion of this retail class of trade.

Sally's Beauty Supply, of Alberto-Culver, is one chain expanding into new markets like the Mid-Atlantic. Many buyers, however, consider the chains less of a threat than the independents.

"The chains come into a market and they basically have one overall price," says Hollis Hill of Harris Beauty Supply. "But the independents come in and they scour the competition. Once they know what their immediate competitors are charging, they under-cut them in price, and it's very hard to stay ahead of them on pricing."

In Detroit, Dan Medow of Standard Distributing estimates that beauty and barber shops may be capturing as much as 30 percent of all ethnic product sales. He qualifies that by noting there is no way to tell for sure what their volume is. "I do know for sure it is going up," he said, "and that's one reason why many drug chains are reporting flat to moderate sales growth."

In some neighborhoods, the B & B stores go after the ethnic shopper on a combination price/assortment/service basis.

They generally stock two or three times as much product as the average chain drug store in high-volume neighborhoods, plus their clerks are usually well trained in product knowledge. Many B & B owners and managers have salon backgrounds, know how to answer customers' questions and make recommendations.

In some areas, the B & B stores go after the ethnic shopper on a combination price/assortment/service basis.

The drug chains that compete with them have taken to stressing their low everyday prices, their "commitment" to the category, and their varied assortments.

Many drug chains also respond to this competitor by advertising ethnic products more frequently, more aggressively and staging in-store promotional events to pull in the business.

Walgreens, for example, just ended a successful promotion that offered shoppers an excellent price on an assortment of hair relaxers.

The chain advertised and displayed five relaxer kits. The consumer could buy any brand for just $5.99. On some brands like Revlon's No Lye Relaxer, they were able to get $5 back through a Revlon rebate.

For Dark & Lovely, Soft & Beautiful, and some other brands, rebates were a more moderate $2 to $3. One source says the products "flew" out the doors.

Food chains more aggressive

On the West Coast and in other areas, food chains are also growing more aggressive with this category. Their strategy is to aggressively promote ethnic H&BA items to attract black and Hispanic shoppers, who will then presumably shop the entire store.

Albertson's and Lucky, in particular, have been beefing up their ethnic products departments, including their assortment of products for Hispanic shoppers.

Ralph's, another West Coast-based food chain, is now testing ethnic hosiery; the Satin Doll line made by Illinois-based E.R. Williams. In test stores, one source says the line is currently accounting for between 9 percent and 20 percent of total ethnic sales, depending on the store.

In the Mid-Atlantic, Safeway has also expanded its commitment to ethnic. Like Walgreen and K mart, Safeway is now taking out regional ads in major black publications like *Essence* and *Ebony*.

Kroger is taking a similar

Continued on page 38

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Ethnic Merchandising

BEAUTY TRENDS

Harco uses coupon book to boost sales of ethnic products

At Harco Drug management is promoting ethnic more aggressively than ever. In high-volume stores that strategy has helped, says ethnic products buyer Charles Monk.

"The problem with the category is that there's nothing really hot going on right now with hair styles," he notes. "Until something new comes along, you have to drive sales with advertising."

Harco, which has a minimum four-foot ethnic set in all but one of its stores, emphasizes promotions of major product lines so they perform well throughout the year. Out of 32 annual circulars, ethnic is represented in about 75 percent.

Coupon book promotion

But this year, Harco is doing something extra and rather unusual to reach black shoppers.

The chain is tying in with Coca-Cola and its dealers on a coupon book that will be offered to churches in Tuscaloosa and Selma, Ala. where Harco has many black neighborhood stores. Coupons for a variety of products will be worth $25 and won't expire for six months. Consumers who buy the book from churches for $3 each will also have chances to win an all-expense-paid vacation that includes a visit to the Apollo Theatre in New York City.

Harco also plans to award cash prizes of $200, $350 and $700 to the churches that have the largest percentage of redeemed coupons. There are separate cash prizes for both large and small congregation churches.

"When you get the blessing of the church behind you, it makes your promotion all the stronger," says Monk.

"It also shows that we're trying to put something back into the community," says Monk, "because we're also tying the booklet in with another program that will start a $3,000 scholarship for students attending Stillman College."

TCB will be in the booklet with a $1-off-any-product coupon. Worlds of Curls will have a 50 cents-off coupon good on any purchase of its 32-ounce

BEAUTY BEAT

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activator. Gentle Treatment will offer $1 off; LustraSilk, 50 cents off. Revlon Realistic, Artra, the Money House Blessing room scent sprays from the E. Davis Company and Soft & Beautiful will also participate.

General product brands will also be represented. Procter & Gamble will have a 20 cents-off coupon good for Charmin; Warner-Lambert will have a coupon for its E.P.T. pregnancy kit. There will be a 50 cents-off coupon on Massengill. Harco will also have several cents-off coupons on private label laxatives and beauty oil lotions. Coca-Cola will have a $1-off coupon on its 16-ounce six-pack.

May go chainwide

Monk says that if it works, Harco will probably take the program chainwide. There are 12 stores in the cities where the program will be done, but the coupons will be redeemable in any Harco store.

The hardest part of the program, Monk says, is coordinating it. There are about 100 churches, he says, in Tuscaloosa alone.

To make the promotion easier to coordinate and more visible to consumers, Harco and Coke are also tying in with two black radio stations that will advertise the booklet and serve as the central source of distribution. Churches that participate in the program will pick up booklets from the radio stations.

Harco will act as the clearinghouse for coupon returns. Each church will stamp its name on the back of coupons.

Monk says Harco is taking this one extra step because black shoppers are very important customers. "For one thing, they're very loyal customers. Once you have them, they stay with you as long as you treat them right and you're fair.

"If you're out of stock on something, a white customer will often go down the street. But a black customers is more loyal and they'll come back. They also visit you a lot so even if they don't always buy a lot at any one time, they come back and buy more often."

In addition to their regular ads, Harco also runs print ads in black college newspapers.

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Dennis Field ..... Fabergé
Marcia A. Levis ..... Almay
William McMenemy ..... Del Labs
Farnum M. Miley ..... Maybelline
Herm Schnitz ..... Max Factor
Arthur Schwalb . New Products Report

Beauty, barber shops vying for share of ethnic market

Continued from page 34

approach in the Midwest, where sources say the chain has been expanding space, assortment and promotions of the category.

K mart and Wal-Mart, of course, both compete strongly for black customers in ethnic neighborhood stores. Trade sources indicate that K mart's new ethnic products buyer has been told to turn up the competitive heat.

Of all the discount chains, K mart has been the most aggressive with the ethnic products category, and the most successful as well, according to sources.

In one Southeastern market where K mart has two dozen stores with large ethnic departments, sales for the majority of those stores were up "tremendously," with better than double-digit rates this past year, sources said.

Unlike Wal-Mart, which recently cut back on its assortment in order to go with a national warehouse program, K mart is using distributors to stock its stores. This chain is continuing to put a major emphasis on variety and selection.

Knowledgeable sources report that K mart is currently running at a 95 percent in-stock service level. In contrast, Wal-Mart has dropped down to a 60 percent rate in ethnic, a decline sources attribute to Wal-Mart's recent conversion to a national warehouse program.

K mart is also continuing to increase visibility of its commitment to the category by running ads in all the major black publications, including *Essence*, *Ebony* and *Jet*. The discounter always backs up these ads with massive off-shelf in-store displays for the products advertised, and in the interim periods between these magazine ads, regularly distributes in-store flyers and relies heavily on regional ads.

"They have a promotional program for ethnic going 12 months out of the year, including Christmas," said one source. "They have great selection. They work hand in hand with their distributors, and they're able to customize their mix to their territories, whether their stores are in Detroit or Los Angeles."

This year, sources say K mart is also starting to test a deep discount buying and pricing program for selected high volume products. The program is still just a test, but K mart is reportedly experimenting with buying select items on deal and then pricing them very aggressively to try blowing them through the stores.

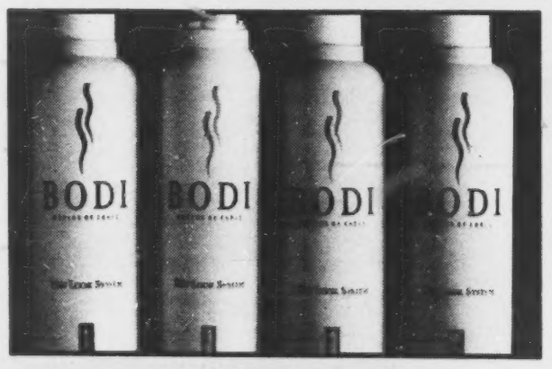
Some of the drug chains that K mart competes with are trying to adopt a similar "fight back" program, but right now they want to keep their identities off the record.

In addition to K mart, Zayre, Bradlees, Jamesway and Woolworth have also been generating growth with ethnic recently, sources said. Moreover, both Zayre and Jamesway have recently become very aggressive with flyers.

SCF celebrates 10th anniv.

Attending the kick-off for the Skin Cancer Foundation's 10th anniversary celebration are, from left, foundation president Perry Robins, M.D.; general chairman Michael I. Monus, president of Phar-Mor; and foundation secretary Eli D. Cohen of Duane Reade. The dinner dance will be held on Nov. 16 at the Marriott Marquis and Dick Cavett, the evening's host, will provide the entertainment.

Category in Motion



Worlds of Curls Products Inc. introduces Bodi. This is a hair care system for people with perms and curly styles who want to achieve a dry, non-greasy look.

Bodi is available in a complete four phase system, Light Shampoo (Shapoo DeBaine), Rich Conditioner (Forme), Creme Activator (LeCreme Hydratante), and Finishing Foam (Le Finir Attaque).

* * *

M & M Products and the American Safety Razor Company have created a special holiday bonus pack featuring complimentary on-pack 50 cent-off coupons.

Now through the end of the year, consumers who buy M & M's Sta-Sof-Fro Oil Sheen and Comb Out Conditioner will get an on-pack coupon worth 50 cents toward the next purchase of a PFB Bump Fighter Razor.

Consumers who buy the razor will receive an on-pack coupon good for 50 cents off their next purchase of either the Sta-Sof-Fro Extra Dry Oil Sheen, 8 ounce or 16 ounces, or the Rub On Oil Sheen, 5 ounce.

FINANCIAL

Amfac Health Care now integrating Northwestern

FOLSOM, Calif. — Starting an anticipated year-long process that expands its wholesale horizons, Amfac Health Care is now integrating Northwestern Drug into its daily operations.

Amfac (MWC Inc.) announced the purchase—for an undisclosed amount—of Northwestern this spring. The deal, completed recently, will give Amfac an entry into full-line wholesaling, since prior to the acquisition, the company relied primarily on hospital pharmacy customers.

Now, as owner of Auburn, Wash.-based Northwestern, Amfac is looking to combine the best of both businesses.

"We are working hard to find that blend of integration," Amfac chief financial officer Gary Close told *Drug Store News*.

Close said Amfac's strengths are hospital pharmacy and product availability responsiveness. Northwestern, he added, provides a healthy independent and small chain drug store business in the Pacific Northwest, plus an extensive product offering that includes front-end merchandise.

Amfac is integrating sales and management at the two companies and forming one regional office in the Pacific Northwest, one of the company's largest at an estimated $350 million annual volume. The region includes Washington, Oregon, parts of Alaska, Idaho, Montana and Northern California. Amfac expects overall revenues in 1989 to reach $1.2 billion.

Because hospital and retail businesses are operationally different, Close said each will have its own sales and management team, and no layoffs are anticipated.

While integration of personnel should be completed in October, Close said a complete combination of the two business' systems and operations will require approximately one year to complete.

Northwestern small chain and independent customers have seen few changes in the brief period following the acquisition. "I don't know if there is going to be much of a change," noted Mike Rossow, head pharmacist with Chehalis, Wash.-based discounter Yard Birds, operator of two pharmacies.

Sue Freese, co-owner of three-store Peninsula Pharmacies in Iwaco, Wash., noted few differences since the acquisition. Freese did note, however, that she expects her small chain to shorten ordering time, since product availability and distribution avenues have increased.

At Murray Drugs in Heppner, Ore., president Rod Murray expects his two stores to receive better service under Amfac. As a Northwestern customer in a remote area, Murray said he was not always able to get next-day deliveries from the wholesaler's distribution center in Seattle. Amfac, however, operates a facility in Portland, which is much closer to Murray and will make next-day deliveries.

Bindley reports sales, net hikes

INDIANAPOLIS — Bindley Western Industries reported increases in sales and earnings for the second quarter ended June 30. Sales, which reached $374 million, were the highest for any quarter in the company's history, 23 percent ahead of the comparable period in 1988, the wholesaler said.

Earnings for the quarter increased to $1.04 million from $1.03 million for the comparable period a year ago.

For the six months, sales rose to $737 million, compared with $614 million in 1988, while earnings declined slightly, to $1.94 million from $2.21 million.

Cardinal 1st qtr. sales hit $203M

DUBLIN, Ohio — Cardinal Distribution posted a 31-percent increase in net sales and a 58-percent increase in net earnings from continuing operations for the first quarter ended June 30.

First-quarter net sales rose to $203.3 million, from $155.0 million for the comparable period last year. Net earnings from continuing operations were $2.4 million, compared with $1.5 million for the year-ago quarter.

Total net earnings for the first quarter last year were $6.2 million, including net earnings from the company's discontinued wholesale food operations, and a non-recurring gain from the April 18, 1988 sale of those operations, in the aggregate amount of $4.7 million.

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Vol. 11, No. 19 Oct. 9, 1989

MARKET DIARY:

Largest Dollar Gainer	Carter-Wallace	$ 4.75	Advances	19
Largest Dollar Loser	American Stores	$ – 3.50	Declines	37
Largest Percentage Gainer	Bolar Pharmaceutical	16.22%	Unchanged	4
Largest Percentage Loser	Zenith Labs	– 15.38%	New highs	8
			New lows	2

	Close 9/12/89	Close 9/26/89	Net Change	Percent Change
Drug Store News Index	2904.23	2886.55	– 17.68	– 0.61
Dow Jones Industrial Average	2707.26	2663.94	– 43.32	– 1.60
Standard & Poor's 500-Stock Index	348.70	344.33	– 4.37	– 1.25
N.Y.S.E. Composite	193.88	191.47	– 2.41	– 1.24
Value Line Index	276.61	274.86	– 1.75	– 0.63

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 9/12/89	Closing Price 9/26/89	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	20.25	21.75	1.50	7.41	27	0.16	0.74	24.75	8.00
OTC	Big B	BIGB	14.75	14.63	– 0.13	– 0.85	17	0.16	1.09	15.25	10.63
OTC	Dart Drug Stores	DDRGC	0.34	0.38	0.03	9.09	d	0.00	0.00	2.50	0.25
OTC	Drug Emporium	DEMP	13.63	13.00	– 0.63	– 4.59	19	0.05	0.38	16.25	6.25
NYS	Fay's Inc.	FAY	14.13	13.38	– 0.75	– 5.31	18	0.20	1.50	15.00	8.63
ASE	Genovese Drug	GDX.A	11.25	11.13	– 0.13	– 1.11	15	0.24	2.16	12.88	8.75
OTC	Leroy Pharmacies (H)	LERYW	5.00	4.63	– 0.38	– 7.50	–	0.00	0.00	5.50	4.38
NYS	Longs Drug Stores (H)	LDG	43.13	43.00	– 0.13	– 0.29	15	0.96	2.23	44.13	33.63
OTC	Medicine Shoppe	MSII	30.88	29.88	– 1.00	– 3.24	23	0.10	0.33	31.75	20.25
NYS	Perry Drug	PDS	11.13	9.88	– 1.25	– 11.24	247	0.00	0.00	13.50	5.25
NYS	Rite Aid Corp.	RAD	39.63	39.13	– 0.50	– 1.26	17	0.82	2.10	40.75	29.13
NYS	Walgreen Co.	WAG	46.13	44.00	– 2.13	– 4.61	18	0.68	1.55	50.25	29.63
Wholesaler's transactions											
OTC	Alco Health Services	AAHS	24.25	23.25	– 1.00	– 4.12	17	0.00	0.00	30.38	19.50
ASE	Bergen Brunswig	BBC	26.00	26.13	0.13	0.48	14	0.32	1.22	27.00	15.70
OTC	Bindley Western Ind. (H)	BIND	8.75	9.75	1.00	11.43	18	0.00	0.00	10.00	6.63
OTC	Cardinal Distribution (H)	CDIC	26.00	25.25	– 0.75	– 2.88	16	0.10	0.40	26.75	16.00
OTC	Durr-Fillauer	DUFM	21.13	21.38	0.25	1.18	21	0.24	1.12	23.25	15.00
ASE	Ketchum (L)	KCH	4.63	4.63	0.00	0.00	d	0.00	0.00	7.63	4.38
NYS	McKesson Corp.	MCK	39.00	37.13	– 1.88	– 4.81	15	1.44	3.88	39.75	29.63
ASE	Moore Medical	MMD	14.63	13.75	– 0.88	– 5.98	d	0.00	0.00	15.63	9.00
NYS	Owens & Minor	OMI	12.75	11.88	– 0.88	– 6.86	19	0.26	2.19	15.88	11.38
Manufacturer's transactions											
NYS	Abbott Labs	ABT	63.00	61.38	– 1.63	– 2.58	17	1.40	2.28	66.00	44.13
NYS	American Home Products	AHP	99.63	99.00	– 0.63	– 0.63	15	3.90	3.94	103.00	76.38
NYS	Baxter International	BAX	22.38	22.38	0.00	0.00	16	0.56	2.50	24.38	16.25
OTC	Block Drugs Co. (H)	BLOCA	35.50	36.50	1.00	2.82	14	0.64	1.75	36.50	30.25
ASE	Bolar Pharmaceutical	BLR	18.50	21.50	3.00	16.22	13	0.04	0.19	32.25	16.75
NYS	Bristol-Myers	BMY	50.13	50.13	0.00	0.00	16	2.00	3.99	52.13	41.38
NYS	Carter-Wallace (H)	CAR	49.75	54.50	4.75	9.55	18	0.82	1.50	55.25	38.00
ASE	Forest Labs	FRX	35.88	37.13	1.25	3.48	30	0.00	0.00	37.88	21.50
ASE	Halsey Drug	HDG	6.00	6.06	0.06	1.04	20	0.00	0.00	7.38	2.38
NYS	ICN Pharmaceutical	ICN	6.25	5.75	– 0.50	– 8.00	64	0.00	0.00	7.25	5.63
ASE	Lee Pharmaceutical (L)	LPH	3.13	3.13	0.00	0.00	d	0.00	0.00	5.50	2.88
ASE	Leiner P. Nutrition	PLI	20.75	20.38	– 0.38	– 1.81	17	0.00	0.00	21.38	9.50
NYS	Lilly Eli Co.	LLY	59.63	60.00	0.38	0.63	20	1.35	2.25	64.25	42.25
NYS	Marion Labs	MKC	34.25	34.38	0.13	0.36	24	0.36	1.05	36.50	16.50
NYS	Merck Co.	MRK	71.38	71.13	– 0.25	– 0.35	21	1.80	2.53	77.63	53.50
NYS	Mylan Labs (H)	MYL	14.50	14.88	0.38	2.59	35	0.10	0.67	15.63	7.50
OTC	Newport Pharmaceutical	NWPH	4.44	4.38	– 0.06	– 1.41	d	0.00	0.00	6.63	1.75
NYS	Par Pharmaceutical	PRX	5.75	5.88	0.13	2.17	10	0.04	0.68	12.50	3.88
NYS	Pfizer Inc.	PFE	69.00	66.38	– 2.63	– 3.80	15	2.20	3.31	70.75	53.75
NYS	Robins, A.H.	RAH	32.25	31.88	– 0.38	– 1.16	14	0.00	0.00	33.50	21.88
NYS	Rorer Group	ROR	42.88	43.63	0.75	1.75	21	0.80	1.83	48.25	36.13
OTC	Scherer RP Corp.	SCHC	15.75	13.50	– 2.25	– 14.29	d	0.40	2.96	33.38	12.00
NYS	Schering Plough	SGP	75.75	73.75	– 2.00	– 2.64	19	1.80	2.44	78.75	52.50
NYS	Squibb Corp.	SQB	118.13	119.75	1.63	1.38	25	2.00	1.67	120.63	63.25
NYS	Syntex Corp.	SYN	45.50	45.25	– 0.25	– 0.55	17	1.50	3.31	54.50	36.50
NYS	Thiokol Inc.	TKC	15.25	14.50	– 0.75	– 4.92	16	0.30	2.07	125.00	12.38
NYS	Upjohn Co.	UPJ	38.63	37.38	– 1.25	– 3.24	19	1.00	2.68	42.00	27.00
NYS	Warner-Lambert	WLA	107.50	106.50	– 1.00	– 0.93	19	2.56	2.40	114.63	70.75
NYS	Zenith Labs	ZEN	1.63	1.38	– 0.25	– 15.38	d	0.00	0.00	2.75	1.13
Other retailer transactions											
NYS	Albertson's	ABS	53.75	53.25	– 0.50	– 0.93	20	0.80	1.50	55.00	32.75
NYS	American Stores	ASC	65.75	62.25	– 3.50	– 5.32	27	1.00	1.61	72.50	51.50
NYS	Giant Food	GFS.A	31.38	31.50	0.13	0.40	18	0.50	1.59	36.25	21.00
NYS	K-Mart	KM	42.00	39.25	– 2.75	– 6.55	10	1.64	4.18	44.88	33.75
NYS	Kroger	KR	19.38	18.25	– 1.13	– 5.81	d	0.00	0.00	59.00	8.38
NYS	Melville Corp.	MES	50.75	48.63	– 2.13	– 4.19	15	1.30	2.67	53.63	34.00
OTC	Fred Meyer	MEYR	20.00	19.63	– 0.38	– 1.88	14	0.00	0.00	23.00	14.00
NYS	Penney, JC	JCP	67.25	68.13	0.88	1.30	11	2.24	3.29	68.75	49.50
NYS	Smith's Food & Drug (H)	SFD	22.75	24.75	2.00	8.79	23	0.20	0.81	24.88	20.50
NYS	Wal-Mart	WMT	40.13	39.63	– 0.50	– 1.25	24	0.22	0.56	43.88	29.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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DRUG STORE NEWS

Vol. 11/No. 20 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Oct. 23, 1989

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JUN90DR

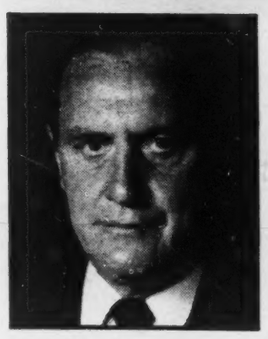
Jorndt to be Walgreen president

Hunter named vice chairman; Brunner, Kraiss exec vps

DEERFIELD, Ill. — L. Daniel Jorndt has been elected president and chief operations officer at Walgreen, succeeding Fred F. Canning when he retires Feb. 1.

Jorndt, 48, currently senior vp and treasurer, is a veteran of Walgreens since 1963, and has held successive store, district and regional positions during his career. He was named a regional vp in 1979, and was promoted to senior vp-treasurer in 1985. He has a pharmacy degree from Drake University.

See full-year results, page 2



Fred F. Canning
to retire Feb. 1st

L. Daniel Jorndt
. . . to replace him

Canning, who has served as president the past 11 years, will continue to serve on the board of directors. He is credited with a major role in Walgreens' development into the nation's largest drug store chain, with 1,484 drug stores in 28 states and Puerto Rico. Canning, 65, joined Walgreens as a drug apprentice in 1945, and became a registered pharmacist in 1950. He was elected vp-marketing in 1972, and in 1975 was named vp for the drug store division.

Other promotions announced

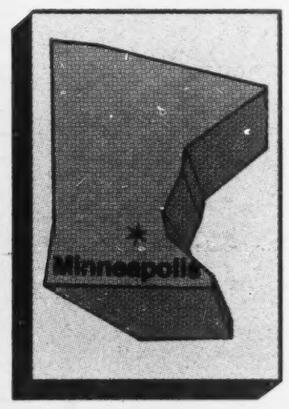
Walgreens also promoted executives immediately under the president's office. The changes will create two executive vp positions, where there had been one.

Charles Hunter, 59, who had been executive vp, has been named vice chairman and will continue as chief financial officer.

Vernon Brunner, 49, senior vp-marketing, has been elevated to executive vp.

Glenn Kraiss, 56, senior vp-drug store operations, was also elected executive vp.

F&M, Phar-Mor are on the move



F&M targets Minneapolis; goal of 100 stores by 1990

By James Frederick

WARREN, Mich. — F&M Distributors will push west into Minneapolis/St. Paul early next year as it drives toward the 100-store mark by the end of 1990.

The company's entry into the Twin Cities will be a rapid one, in line with the aggressive expansion strategy F&M has established in other major markets like Chicago, Washington, D.C., Baltimore and its home market of Detroit.

"When we go into a new market, we move quickly, and we're going into Minneapolis the same way next year," said Frank Newman, president and chief executive of F&M. "We'll have at least six stores open there by the end of next year."

Among them will be four units opening simultaneously on approximately April 1, he added.

In the Twin Cities, the off-price chain will compete in a drug store arena dominated by two chains, Snyder's Drug Stores and Walgreens. Two other local chains, Snyder Brothers and Thrifty/White Drug, also have strong franchises in the market.

Among deep discounters, Drug Emporium is also mulling a major expansion in the Minneapolis market. Gary Wilber, president and chief operations officer of Drug Emporium,

See **F&M** *page 41*

PHOENIX, Ariz. — Fast-growing Phar-Mor is stirring the retail pot in yet another major market as it looks to expand into this sunbelt city in coming months.

Carol Robinson, Phar-Mor's director of advertising, confirmed that the off-price drug chain was close to a deal to open stores in Phoenix and neighboring Scottsdale, Ariz. "We're actively negotiating for leases at several locations in the Phoenix area," she said. "We're also looking at locations and lease arrangements in other Western cities."

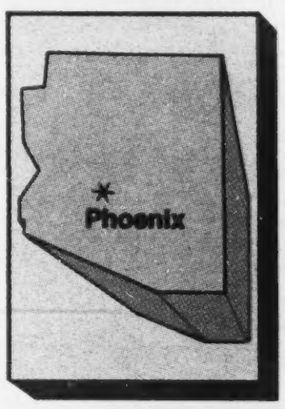
See related story on p. 16

Robinson also indicated there was nothing to keep Phar-Mor from moving as far west as California and Oregon. The chain currently operates stores as far west as Denver, where the first unit opened last February.

Although the company is not yet ready to talk about specific store sites in Phoenix, a local market source said Phar-Mor was negotiating for a site at The Scottsdale Pavilions, an unenclosed shopping mall that is about half-completed.

"The mall is outdoors and aesthetically very attractive, and the interesting thing about it is it's on Pima Indian Reservation land," said the observer. "Part of the agreement

See **Phar-Mor** *page 41*



Phar-Mor eyes Phoenix and western cities for expansion

LATE NEWS

- SHIREMANSTOWN, Pa. — Rite Aid will remove video rental departments from most stores by Nov. 30. Fewer than 100 stores will retain departments, down from 1,002 currently, the company said.
- TRAVERSE CITY, Mich. — Perry Drug Stores will enter this new Michigan market, having signed leases for two stores here. One is for a new store at 14th and Division in Traverse City; the other will be in nearby Acme. Jack Robinson, Perry chairman, said the chain renewed its expansion program after a two-year halt to consolidate operations, and plans to open eight to 10 new units a year.
- TROY, Mich. — K mart Corp. will reach $30 billion in annual sales by 1995, and will open as many as 100 new stores a year by that time, chairman Joseph Antonini told investment analysts here.
- TWINSBURG, Ohio — Revco D.S. promoted Vincent Trius to director of operations for the Southern region, splitting responsibilities for more than 430 stores with Ken Hipsher.

Hook-SupeRx sells to Eckerd, leaves N.C.

CLEARWATER, Fla. — Hook-SupeRx Inc. has pulled out of North Carolina with its sale of 10 SupeRx stores to Eckerd. Local sources believe HSI decided to leave these small town markets rather than add stores here to build necessary efficiencies.

Eckerd will now operate 183 stores in North Carolina, where it vies with Revco, Rite Aid and Kerr for market share in small towns and in the metro markets of Winston-Salem, Raleigh-Durham and Charlotte.

In Winston-Salem, for example, which includes High Point, the purchase should move Eckerd into the market share lead. Prior to this deal, Eckerd's 27 stores here gave it a 24 percent share, a whisker behind Revco's 25 percent share from 42 stores, according to Metro Market Studies (MMS). The purchase gives Eckerd two additional SupeRx stores in Winston-Salem and one in High Point.

Eckerd leads in Charlotte with a 38 percent share on 49 stores, followed by Revco's 19 percent on 38 stores.

And in Raleigh-Durham, Eckerd and Revco run Nos. 2 and 3 to Kerr, which has 51 percent share, MMS reported.

Other SupeRx stores are in small towns in the north and west, including two in Burlington, and one each in Asheboro, Boone, Monroe, Shelby, and Wilkesboro.

"You need to have two to three stores per town to have efficiency" in distribution and advertising, noted one competitor. HSI, with LBO debt to consider, has braked store growth not only with SupeRx, but also at its Hook and Brooks Drug divisions.

See **SupeRx** *page 41*

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists.*
For information, dial (212) 371-9400, x 380.

SECOND CLASS

NEWS IN BRIEF

Mastrian named SupeRx drug head

PHOENIX — James P. Mastrian has been named president and chief operating officer of the Drug Division of SupeRx of Arizona, Georgia and Alabama. Mastrian, who has held positions at Gray Drug Fair, Cabalier Drug and Peoples Drug Stores, will be responsible for the SupeRx and Medicare-Glaser Drug Stores and the home health care and optical businesses.

Cardinal names Bearman sr. vp

DUBLIN, Ohio — Cardinal Distribution recently appointed David Bearman senior vice president and chief financial officer.

Bearman, 44, comes to Cardinal from General Electric Medical Systems, a diagnostic imaging equipment division of General Electric Co. based in Milwaukee, where he was the senior financial executive. He replaces Charles E. Reiser Jr., who left Cardinal by mutual agreement for a position with Continental Office Furniture and Supply Co. of Columbus, according to George H. Bennett Jr., Cardinal vp and general counsel.

Cardinal also recently upgraded several people to vice presidencies, for areas of responsibility they had already been handling. They include Anthony J. Campanaro, vp-retail sales and marketing; William H. Bottlinger, vp-management information services (MIS); Douglas L. Moore, vp-treasurer; Anthony Woo, vp-controller; Robert E. Moss, vp-distribution planning; and Alan J. Phair, vp-customer information services.

Cosmetex set for Toronto next month

TORONTO — International Beauty Shows, Inc. will hold its first cosmetics-beauty trade show, Cosmetex, at the Metro Toronto Convention Center here Nov. 16-19. The show, which will be similar to the internationally acclaimed Cosmoprof held in Italy each year, is geared toward drug store chains, salon owners, distributors and manufacturers.

It will include a two-day seminar and a consumer trade show on its final two days. The focus will be on anticipating new growth segments and emerging beauty trends.

Silver to head NAGMR

ORLANDO, Fla. — Arthur Z. Silver at press time was expected to be installed as president of the National Association of General Merchandise Representatives (NAGMR) at the association's 41st annual convention here.

Silver, a member of the association for 13 years, is president of Silver Marketing Group Inc., headquartered in Berlin, N.J., which he founded. He has previously served on NAGMR's board and was vice president of the organization this past year.

BTS show board members named

NEW YORK — The Advisory Board of the 1990 National Back-To-School Merchandise Show gained five new members, David Thalheim, president of Thalheim Expositions, announced.

First-time members are: Nelvia McGrath, Eckerd; Jerry Gordon, F.W. Woolworth; David H. Hewitt, Binney & Smith; William R. Mason, American Greetings; and Jim Palmer, BIC Corp.

The show will be held Feb. 10-12 at the Javits Convention Center here. More than 1,000 booths will be occupied, and the show is strategically timed to precede the annual Toy Fair and Variety Merchandise Show, also held here. For information and advance buyer credentials for the BTS Show, contact Thalheim Expositions, 42 Bayview Ave., P.O. Box 4200, Manhasset, N.Y. 11030-4200; (516) 627-4000.

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Walgreen's core business makes fiscal '89 a record

DEERFIELD, Ill. — Focusing on its core drug store business, Walgreen Co. delivered its 15th consecutive year of record sales and earnings for the fiscal year ended Aug. 31. Net earnings rose 19.5 percent in fiscal '89, to $154.2 million, on sales which grew 10.2 percent to $5.38 billion.

Net income in the fourth quarter rose a more modest 5.5 percent, to $33.7 million, on sales of $1.34 billion. Earnings were affected by the sale of Walgreens' private label manufacturing operations in August, which yielded a one-time pre-tax loss of $6.1 million. The loss was more than offset, however, by tighter inventory controls, which the company said added $15.3 million to pre-tax earnings.

"Walgreens is now out of all peripheral businesses and focused entirely on its fundamental goals," said chairman and chief executive Charles Walgreen III. "We want to run the best-merchandised, most technologically advanced drug stores, add about 100 stores a year, and deliver an optimum return on investment."

In effect, Walgreens is reaping the benefits of an aggressive expansion and store renovation program in effect for several years. Since the mid-1980s, the nation's No. 1 drug chain has opened or acquired 579 stores, or 40 percent of its current base of 1,484 drug stores in 28 states and Puerto Rico. Hundreds more have been remodeled.

The chain continues to add new stores at a rapid clip, giving it a constant stream of maturing stores to boost revenues and profits. In fiscal 1989, Walgreens added another 89 stores and approved a record number of prospective sites, according to the company, and renovated another 157 units.

On the drawing board in the next five years are 600 new drug stores, with capital spending pegged at $200 million in 1990 alone. Of that sum, $40 million will go toward construction of the chain's eighth distribution center in Mount Vernon, Ill., which will begin supplying units from Omaha to Cincinnati in 1991.

The company is also "actively seeking" a site in the Northeast for a distribution center to bolster its growing network of stores in that part of the country. Walgreens broke ground in the Northeast with its purchase of the Medi Mart chain in 1986.

Walgreens is also reaping the effects of booming sales at the pharmacy counter. For the eighth consecutive year, Rx sales grew more than 20 percent at the chain, to $1.6 billion.

"Pharmacy is now 30 percent of our total sales," said president Fred Canning. "We feel well positioned to take advantage of substantial growth predicted for pharmacy, especially in third-party programs, which pay for more than 35 percent of all retail prescriptions."

On the technology front, Walgreens continues to invest big sums in three major projects:

- Front-end scanners have been installed in 180 Chicago-land and Fort Wayne, I stores, with another 400 u targeted for next year. Cha wide scanner hookup is sla by the end of 1991.
- SIMS, or the Strate Inventory Management S tem, has been rolled out in Windsor, Wisc., distribut center. Eventually plann for all DCs, SIMS will h usher in a "paperless" rece ing system, according to ch spokesman Tom Mammos SIMS' next major progra an electronic purchasing s tem for buyers, will be in pl this winter, he added.
- Rooftop satellite dis have been installed at m than 900 stores, with most the rest of Walgreens' st and distribution center n work set for hookups t year. The network will link facets of the business for d transmission, pharmacy co puter linkups, electronic m and other uses.

St. Croix needs Rx relie

Hurricane Hugo played havoc with the approximately half-doz pharmacies on St. Croix, U.S. Virgin Islands, when it struck Se 17. The walls of this People's Drug store, one of two owned by Ma Brooks, are still standing, but the roof took heavy damage, the w dows were blown in and the interior is in shambles, so that the st is not yet fully operational. Brooks' other, larger store was co pletely destroyed, as were at least three other pharmacies. Do tions of equipment, fixtures, merchandise and other supplies can sent to Pharm-Assist-St. Croix, c/o Gulf Distribution, 5959 N. 37th Ave., Miami, Fla. 33142.

Rose named to DrSN's advisory boar

Rose

NEW YORK — Larry Rose, president and chief operations officer of Fay's, Inc., has been appointed to *Drug Store News*' board of advisors.

He will join 10 other top drug industry officials on the board, which helps *Drug Store News*' management and editorial staff identify and report on key issues facing the industry.

Rose, a pharmacist, began his career with Thrift Drug in 1967 as a store manager, rising to director of store operations at the Pittsburgh-based chain. In 1981, he became vp-director of marketing at Thrift, moved on to senior vp-director of marketing and merchandising, and later became executive vp-marketing, merchandising and distribution Thrift.

In 1987, Rose joined Fay's Drug C as president and chief operations of cer. He became president and chief erations officer of Fay's Inc. when t company, in preparation for grow strategies in all three of its retail di sions, restructured last March.

Currently, three retail divisions the company report to Rose — Fay's dr store division, under the command of preside John Kogut; the company's Paper Cutter s tionery division, under president David Pa asci; and the Wheels Discount Auto Supp stores, under president Michael Falcone.

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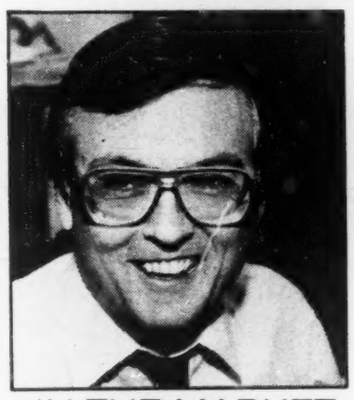
OPINION

Relief effort targets St. Croix Rx'ers



IN THE MARKET
BRUCE BUCKLEY

Florida pharmacist Allen Nichol knows what it's like to lose a drug store. In 1980, the riots that erupted in Miami spilled over into Coconut Grove, where his 2,000-square-foot Grand Pharmacy was located. The store was burned to the ground.

That's one of the reasons he's now involved in the relief effort aimed at the pharmacists of St. Croix who lost their stores when Hurricane Hugo tore across the island with such devasting results. Nichol and other pharmacists in Florida and elsewhere are uniting to donate fixtures, equipment and computers they've outgrown to their St. Croix counterparts.

Nichol no longer has a store in the Miami market. Several years ago he relocated to a 4,700-square-foot pharmacy in Coral Gables. But he hasn't forgotten the help he got from fellow pharmacists in the bleak period after his store was demolished by rioters and looters. "I was basically out of business," he recalls.

Nichol was able to reestablish his practice on a very limited basis within a week, but longer term it was the contributions of equipment and fixtures from other independent operators and Gray Drug, the former Ohio-based chain, that helped him rebuild his practice.

It was lucky that he did receive help because obtaining insurance funds and government loans to rebuild and restock his store was a much more arduous and time-consuming task.

Nichol, who now divides his time between his South Park Pharmacy and his role as director of professional affairs for the nation's newest pharmacy school — the Southeastern College of Pharmacy — says there are several things the devastated pharmacists of St. Croix need to have happen to get their practices back in business:

One, they must quickly get insurance and reasonably-priced government loans to help them rebuild and restock. They also need to work with the drug companies to obtain insurance money the companies have available for inventories destroyed by the hurricane. Finally, they need the help of other pharmacists who have equipment and fixtures to donate to the relief effort. He himself is sending a showcase. He points out that the gifts are tax deductible.

Tax deductions nothwithstanding, Nichol says: "There is the need to do something. This is a humanitarian effort." He points out that it's not only the pharmacists' businesses that are at stake; it is also the lives of customers, such as diabetics, who rely on the pharmacies for their life-giving medicines.

Much of the help for the stricken pharmacies of St. Croix is being coordinated through the "Pharm Assist" Committee of the Dade County Pharmacy Association, which has the strong support of the Florida Pharmacy Association, NARD and the National Association of Wholesale Druggists.

Marvin Goldman, president of Miami-based Gulf Distribution and chairman of the association, writes: "The pharmacists of St. Croix, U.S. Virgin Islands, were almost destroyed by Hurricane Hugo. Their homes, their stores, the entire structure of the island was flattened, blown down by the terrible storm winds and rain."

The committee is working through the Virgin Island Action Relief Fund to collect the equipment, fixtures and computers needed to help the pharmacists reopen their stores, as well as clothing, toys, household articles and supplies for distribution to the families of pharmacists and the general population whose homes were demolished.

Marvin Goldman can be reached at (305) 634-6800, ext. 201.

Environment is part of the retail equation

THE HUMAN SIDE
AL HELLER

The nation's mood has swung so our environment might improve. Eat at McDonald's and signs urge you to sort recyclables from other trash. Soda bottle deposits threaten to reach 20 cents in some areas, and battery deposits have been proposed.

And when many Exxon customers canceled their credit cards after the Valdez oil spill in Alaska, business was put on notice that people are fed up and won't let companies act irresponsibly anymore.

Implications for retailers are clear. Deposits, recyclables, and new forms of products and packages could affect pricing, consumption trends and planograming. Merchants must add environmentally-safe strategies to the already complex equation of deciding what to sell and how to sell it.

In a way, Wal-Mart and K mart have begun. Indications are the retail drug trade may not be far behind.

Wal-Mart, the nation's third-largest retailer, challenged vendors in full page ads in *USA Today* and *The Wall Street Journal* to develop environmentally-sound merchandise in biodegradable or recyclable packaging. It read: "We're looking for quality products that are guaranteed not to last." Further, it plans to post shelf tags noting such manufacturer efforts.

K mart followed with ads in late September, which read: "Saving the future for tomorrow's generations . . . today!"

Moreover, K mart bags customer purchases in plastic bags that are recyclable, safe in landfills, printed with water-base ink, non-toxic when incinerated and meet Food and Drug Administration requirements.

For its part, Procter & Gamble is among packaged goods companies taking the lead in this effort. It hosted a seminar on Solid Waste Solutions in Cincinnati last month.

NACDS is preparing to tackle the solid waste issue head-on, when it hosts its first Distribution Conference Feb. 11-13, 1990, at Innisbrook Resort, Tarpon Springs, Fla. Ted Peterson, vp-trade relations, told me, "we are sensitive to the issue, and think this will be our most involved audience."

The NACDS Distribution Committee, formed in June to evaluate this and other issues, includes suppliers Bindley Western, Chesebrough-Pond's, Procter & Gamble, Burroughs Wellcome, Revlon and Eveready. Retailers include Peoples, Thrift, Supermarkets General, Chateau Drug and Surgical, Eckerd and Genovese.

Chain involvement is already surfacing. Rite Aid, for example, is about to begin merchandising private label trash bags that are degradable. Of course, private label is the area where retailers can exercise direct influence, since products and packaging are made to their specifications.

At Eckerd, vp Mike Zagorac said we are seeing business in its "infancy" of being environmentally responsible, and he expects to see real developments over the next two to three years. "There's not much out there yet in private label packaging that addresses these concerns, though we're looking at it," he told me.

"Having a safe and clean environment is certainly part of our role. We are high profile in health care, and the environment is part of that," Zagorac said. "Each time we take an action, customers see it as a positive. They send us letters, tell our store people."

He felt overall that if degradable packaging costs another dime or so, people would be willing to pay.

Similarly, Eli Cohen, president of Duane Reade, said: "No question we'd push for environmentally-safe products, even if it cost more. This is a very important project. Consumers would appreciate it.

"Whether for safety's sake or the environment, drug chains have been involved in lots of changes over the years — Tylenol seals, ozone sprays — and we ought to just step right into this."

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PHARMACIST EDITION

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As margins slim, drug wholesalers beat 'value' drum

By Elizabeth Parks

Drug wholesalers had a good 1988 and most are reporting a fairly strong 1989, despite competitive pressures which continue to drag gross margins.

Nearly all major companies are reaping the benefits of consolidation and technological gains. For the first time, the industry brought its total operating expenses below 5 percent.

Declining gross margins continue to be a challenge. Citing his group's latest Operations Survey, Barry Krelitz, National Wholesale Druggists Association (NWDA) chairman, notes that despite an easing of the decline, margins *are still down*. In 1988, the margin figure dropped 0.26 points to 7.34 percent, compared to an approximate 10-percent level in the early '80s.

Some wholesalers are disappointed in this latest erosion of margins, while other wholesalers are encouraged that the

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Rx boards pumped up over steroid abuse

By Elizabeth Richardson

When Canadian sprinter Ben Johnson was stripped of his Olympic gold medal in 1988 after testing positive for the steroid stanozolol, the sports world was stunned. While many thought the Ben Johnson incident was just an isolated case of drug abuse, recent investigations into the use of steroids by athletes, particularly body builders using anabolic steroids, have uncovered widespread abuses that could have serious consequences for retail pharmacists and other practitioners who are in a position to dispense such potent medications.

The desire to win is causing some to lose when it comes to anabolic steroids. It's more than the athletes like Ben Johnson who are losing. Practitioners, who are illegally distributing these drugs, run the risk of losing their licenses for their activities.

Although anabolic steroids were introduced some 30 years ago —

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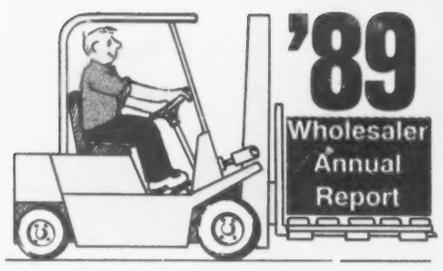
Value-added strategies shape wholesaler 'partnerships'



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decline wasn't worse.

Some sources, like Joe Polastri at McKesson, Mike Quinn at Cardinal and Burt Olin at Humiston-Keeling, still think the price/value relationship between wholesalers and their customers/suppliers is "out of sync." One source said emphatically that wholesalers are "giving much more than we're getting".

Polastri said he thinks the erosion means that wholesalers are still caught up in the competitive fight for market share, and that as long as this continues, margins will not substantially improve; indeed, he believes they may continue to decline.

Others said, however, they think the easing of the decline might signal a turnabout in fortunes.

Their feeling is that competition has eased off somewhat, at least in some markets and for some types of businesses, particularly hospital customers.

These sources said they think the margin erosion has "bottomed out" and that while margins probably will never get much higher than they are now, they will not show any more major dips either.

Some wholesalers said they think the scramble to lock in hospital contract business has peaked. That scramble to buy into a business that could add millions of dollars to revenues just by signing one contract is heavily blamed for precipitating the margin erosion trend.

"It is always expensive to bring in new business," one source said. Many companies have worked through the difficult phase of assimilating new customers and acquisitions, consequently, the pressure on gross margins may let up.

"Our business will continue to be price sensitive,"said Alco president and ceo John McNamara, "but price will be paramount only as long as everything else is equal. The more service we can offer our customers and the more we can comply with the manufacturer's needs to complete the cycle of bringing his products to the marketplace efficiently, the more we'll be in a position to enhance our margins because we will have more programs of value to offer everyone."

The average drug wholesaler distribution center now stocks approximately 29,000 SKUs.

'Value-added services will help us hold the line on margins, and may even help increase [them] in small ways.'
— Don Meyers, president, Harris Wholesale

"We haven't felt the pressures on margins we've felt in years before," said Don Meyers, the new president at Harris Wholesale. "Value-added services will help us hold the line on margins and they may even help increase [them] in small ways."

Cost efficiencies

This year, many wholesalers were also very encouraged by how much their companies have been able to save through operations expense reduction programs.

At the same time gross margins eased their decline, the industry was able to drop operations expenses to an all-time low, 4.99 percent, according to the NWDA Operations Survey.

Also another key profitability index, asset turnover, also achieved what NWDA believes is another all-time high.

In 1988, asset turnover was up to 4.15 times, its highest rate since NWDA began tracking it in 1981.

Many wholesalers are also optimistic about the industry's continuing ability to lower its costs of doing business, primarily because of a growing commitment to electronic data interchange (EDI) and bar coding.

EDI could have a tremendous impact on profits. Mel Whitmire, Amfac president, says he's heard about a grocery wholesaler who was able to save $10,000 a day once his EDI program was fully implemented.

"I don't know if the wholesale drug industry could do as well," he says, "but there seems to be a lot of promise in this area. It will probably take four to five years for everyone to get implemented."

There are still many companies who can profit further from consolidating smaller facilities into larger houses and from modernizing and upgrading their facilities with computerized equipment.

Value-added services

Wholesalers may soon be able to enhance their margins through the expansion of value-added programs, including more and better marketing programs for their retail customers, asset management programs and "customized" computer programs for hospital clients.

In fact, many wholesalers this year seemed to be evolving into financial and marketing partners with their customers and suppliers.

Many wholesalers described themselves less as "distributors of product" and more as "specialists" whose strategic mission is to help their partners, both customers and suppliers, improve the management of their businesses.

Some sources said they see themselves playing several roles, the most basic being distributors of product into the marketplace. For example, Alco's McNamara described his company as being an "extension of sales and marketing for manufacturers" as well as a "partner to retailers and hospitals."

Bob Walter and Mike Quinn at Cardinal, Bob Anderson at Owens, Roman Englander at Drug Guild, Burt Olin at Humiston, Fred Toney at McKesson, Bob King at Fox-Meyer, Phil Engle at Bergen, Bill Bindley at Bindley Western and others all made similar points.

More than ever before, wholesalers today are looking at their customer mix and responding to the diversity there by organizing their customers by "areas of specialization" (as Bob Anderson put it), who have to be serviced according to their different needs.

Good examples are marketing programs developed for large chains that would not suit the needs of smaller regional chains. Or, developing services tailored to independents operating "full-line stores" with heavy front-end merchandising, and different programs for independents who operate smaller stores specializing in prescriptions and a small selection of over-the-counter products.

A new area being developed by some wholesalers is providing value-added services to hospitals, services that are meant to develop "long-term" relationships just as they do with retail customers.

Many wholesalers predict that in addition to creating stronger loyalties between their companies and hospitals, value-added services will contribute positively to gross margin. Wholesalers reason that hospitals, like retailers, will pay more for services that help them manage their assets, control turns, and achieve an overall higher return on investment.

Some wholesalers are even starting to talk about "asset management" for both hospital and retail customers as a key part of their strategy.

Bob Anderson, senior vp-group development, Owens & Minor, puts it this way: "We say price is a function between manufacturer and user. We provide the functions that are necessary in order to have an efficient movement between the manufacturers and the users. Our functions and systems enable us to specialize in their businesses, and make us valuable as partners."

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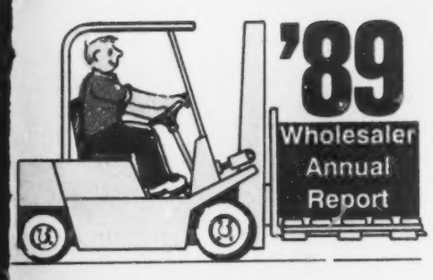
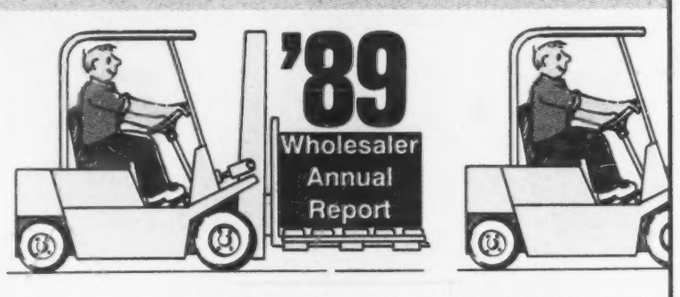
Profile of an average drug wholesaler: 1989



The nation's 35 highest volume drug wholesalers



Company	FY ended	Estimated sales most recent FY (Millions of $)	Sales projections for next FY (Millions of $)
1. **McKesson Drug** San Francisco	3/31/89	$5,800	$6,340 (est.)
2. **Bergen Brunswig** Los Angeles	8/31/89	3,800	4,250 (est.)
3. **FoxMeyer** Denver	3/31/89	2,100	2,200 (est.)
4. **Alco Health Services** Valley Forge, PA	9/30/88	2,100	2,300 (est.)
5. **Bindley Western** Indianapolis	12/31/88	1,300	1,600 (est.)
Total sales of top 5: $15.1 billion			
6. **Harris Wholesale** Solon, OH	10/31/88	1,000	1,200 (est.)
7. **Amfac** Folsom, CA.	6/30/89	946	1,200 (est.)
8. **Cardinal Health** Dublin, OH	3/31/89	700	900 (est.)
9. **Humiston-Keeling** Chicago	4/30/89	464	510 (est.)
10. **Durr Fillauer** Montogomery, AL	12/31/88	387	491 (est.)
Total sales of top 10: $18.6 billion			
11. **Moore Medical Corp.** New Britain, CT	12/31/88	235	250 (est.)
12. **Ketchum & Co.** Clark, NJ	9/30/88	231	255 (est.)
13. **Owens & Minor** Richmond, VA	12/31/88	231	255 (est.)
14. **Drug Guild Distributors** Secaucus, NJ	7/31/89	220	250 (est.)
15. **Commons Bros., Inc.** Elmsford, NJ	4/30/88	220	280 (est.)
Total Sales of top 15: $19.7 billion			
16. **Kay Wholesaler Drug Co.** Wilkes-Barre, PA	6/30/89	186	220 (est.)
17. **Walker Drug** Birmingham, AL	12/31/88	180	190 (est.)
18. **Newman Wholesalers** Ridgefield, NJ	4/30/89	178	220 (est.)
19. **Tennessee Wholesale Drug** Nashville, TN	3/31/89	170 (est.)	180 (est.)
20. **Chapman Drug Co.** Knoxville, TN	6/24/89	167	196
Total estimated sales of top 20: $20.6 billion			
21. **Gulf Distribution, Inc.** Miami, FL	6/30/89	166	191 (est.)
22. **Twin City Wholesale Drug** Minneapolis	4/30/89	165	185 (est.)
23. **Behrens, Inc.** Waco, TX	12/31/88	160 (est.)	170 (est.)
24. **North Carolina Mutual Wholesale Drug** Durham, NC	3/31/89	145	160 (est.)
25. **The F. Dohmen Co.** Germantown, WI	4/30/89	136 (est.)	150 (est.)
Total estimated sales of top 25: $21.4 billion			
26. **J.E. Gould & Co.** Portland, ME	12/31/88	119 (est.)	137 (est.)
27. **Solomons Co.** Savannah, GA	8/31/88	110 (est.)	127 (est.)
28. **James Brudnick Co.** Malden, MA	12/31/88	110	127 (est.)
29. **D.T.C. Smith Co.** Asheville, NC	4/30/89	105 (est.)	120 (est.)
30. **Remo Drug** Brooklyn, NY	12/31/88	100	105 (est.)
Total estimated sales top 30: $21.9 billion			
31. **South Bend Drug** South Bend, IN	12/31/88	88	112 (est.)
32. **Dik Drug** Burr Ridge, IL	12/31/88	85 (est.)	90 (est.)
33. **Northwestern Drug** Minneapolis	12/31/88	72	82 (est.)
34. **Miami-Luken, Inc.** Dayton, OH	6/30/88	65	75 (est.)
35. **Value Drug** Altoona, PA	12/31/88	65	76 (est.)

Total estimated sales for top 35: $22.3 billion
Total estimated 1989 sales for industry: $25.3 billion
Top 35 share of total (est.) 1989 industry sales: 88.1%

Note: Louis Zahn Co., Melrose Park, Ill., was acquired this year by FoxMeyer. In FY '88, Zahn had sales of $216 million. Northwestern Drug, Auburn, Wash., was acquired by Amfac Health Services. In FY '88, Northwestern had sales of $180 million.
Source: *Drug Store News*/NWDA Survey

Methodology

- The survey was mailed to the 68 corporations who are members of the National Wholesale Druggists' Association in late summer. Thirty-four percent of NWDA's members responded to the survey.

Customer mix

- 44% are deliveries to independents;
- 22% are to chain stores;
- 6% are to chain warehouses;
- 4% are to mass merchandisers and food stores;
- 0.85% are to HMOs, PPOs, nursing homes and nursing home suppliers,
- 23% are to hospitals

Perceived growth areas for the next two years:

- 91% of our respondents said sales will increase from independents
- 76% from hospitals buying pharmaceuticals
- 67% from chain drug stores
- 65% from food, grocery and combination food/drug stores
- 63% home health care retailers
- 58% from mass merchandisers
- 55% from nursing home suppliers
- 47% from deliveries to mail order houses
- 44% from hospitals for OTC products
- 47% from HMOs
- 41% from independent retail buying groups
- 40% from deliveries to chain warehouses
- 39% from deliveries to clinics
- 24% from hospitals buying medical/surgical supplies
- 17% from PPOs including PSAOs
- 11% from nursing homes direct
- 6% from physicians or corporations with their own formularies

Future of value-added services

- 90% point-of-purchase aids
- 86% promotional and advertising support programs
- 86% scanning software
- 83% said they will be doing more merchandising/marketing support
- 80% point-of-sale (POS) software
- 77% planograms
- 77% co-op ad dollar programs
- 75% POS scanning/computer hardware
- 67% host support for computers
- 64% product movement reports
- 65% private label programs
- 61% helping customers bid on managed health care business
- 59% price updates
- 55% arranging financing with third parties such as banks
- 50% shelf price labels
- 50% pharmacy system software
- 50% pharmacy computer hardware
- 50% inventory reports
- 53% store remodeling programs
- 53% financial management reports
- 39% help with site selection
- 37% acquisitions or new stores
- 35% store fixture programs
- 31% third-party claim processing
- 27% product price labels
- 27% extended dating on opening inventories
- 27% direct loan for expansion
- 25% business insurance
- 13% accounting, bookkeeping services
- 7% co-signing loans for retailers

Current product mix

- 80% of sales are for prescription products
- 10% OTC
- 6% H&BA
- 1% Home Health Care (convalescent aids and durable medical equipment)
- 2% other

Current terms of sale

- 52% of all wholesalers ask their customers to pay within 15 days of delivery
- 10% give a 2% discount to those who do pay in 15 days
- 48% say they have a variety of payment terms, ranging from pre-pay before delivery to twice a month payment plans, to net discounts for customers who pay on select days of the month such as the 10th and 25th.

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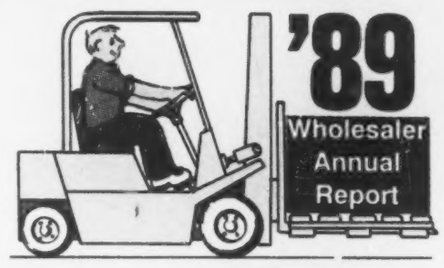
Pharmaceuticals currently account for about 80 percent of the average wholesale drug company's sales, according to this year's DRSN/NWDA survey.

Drug wholesalers give PL more weight

Private label vitamin, OTC and H&BA programs continued to grow in importance over the past year, as did generic source programs which many wholesalers have added to their regimen of "value added services."

In almost all cases, private label programs are growing substantially. Some companies, like McKesson, now carry over 300 private label items. However, this year's inquiry by the Food and Drug



Administration (FDA) on the safety and quality of some generic prescription brands has caused most wholesalers to be more cautious about choosing generic suppliers.

John McNamara, Alco's president, said that as a wholesaler, he'd be selective in choosing generic suppliers, buying only from companies "with a good track record." Another wholesaler saw the investigation as an opportunity to "drop some dead lines."

Home Health Care

Home health care is no growing as dramatically as some wholesalers expected. According to NWDA, home health care as a percent of total wholesaler sales is down by 0.1 points this year, and some wholesalers say this may be because home health care has turned out to be too expensive an investment and too hard a category for the average independent retailer.

Durable medical equipment (DME) is especially hard to handle as an investment. It involves tying up inventory dollars with slower turns that don't justify the investment. Some wholesalers say the "jury is still out" on the future of DME and home health care in general as appropriate products for the average wholesaler's product mix.

Medical/surgical sales, on the other hand, have a lot of promise. Some wholesalers like Owens and Minor have always done a strong medical and surgical business. More recently, Harris Wholesaler's is trying to develop a "synergistic" marketing program that would allow it to combine sales and marketing efforts with its sister division, General Medical Corp., the second largest distributor of medical and surgical supplies in the nation.

Acquisitions

There has not been as much acquisition activity in the past year as the industry's seen in previous years, but Fox Meyer and Amfac have made two important acquisitions.

Chicago-based Louis Zahn is merging with FoxMeyer and Auburn and Washington based Northwestern Drug is being acquired by Amfac. Ohio-based Miami Luken, which did approximately $65 million in sales for its 1988 fiscal year, acquired a small independent in its area, Cincinnati-based Hale-Justis, which did about $20 million in sales last year.

Most sources expect the acquisition front will be quiet for a while. For one thing, the Federal Trade Commission is scrutinizing possible acquisitions to make certain that monopolies don't develop, and some companies at this point are too highly leveraged to take on any new projects.

A NEW CHOICE FOR PEDIATRIC CARE

Children's Advil®
(ibuprofen)
Suspension
100mg/5mL

BRIEF SUMMARY OF PRESCRIBING INFORMATION
CONTRAINDICATIONS: Patients hypersensitive to ibuprofen or patients with all or part of the syndrome of nasal polyps, angioedema, and bronchospastic reactivity to aspirin or other nonsteroidal anti-inflammatory agents. Anaphylactoid reactions to ibuprofen have occurred in such patients.
WARNINGS: Risk of GI Ulcerations, Bleeding, and Perforation with NSAID Therapy: Physicians should remain alert for ulceration and bleeding in patients treated chronically with NSAIDS even in the absence of previous GI tract symptoms. In patients observed in clinical trials of several months' to two years' duration, symptomatic upper GI ulcers, gross bleeding or perforation appear to occur in approximately 1% of patients treated for 3-6 months, and in about 2-4% of patients treated for one year.
Except for a prior history of serious GI events and other risk factors known to be associated with peptic ulcer disease, no risk factors have been associated with increased risk. Elderly or debilitated patients seem to tolerate ulceration or bleeding less well than other individuals and most spontaneous reports of fatal GI events are in this population.
PRECAUTIONS: General: Because serious GI tract ulceration and bleeding can occur without warning symptoms, physicians should follow chronically treated patients for the signs and symptoms of ulceration and bleeding.
Blurred and/or diminished vision, scotomata, and/or changes in color vision have been reported. If a patient develops such complaints the drug should be discontinued and the patient should have an ophthalmologic examination.
Fluid retention and edema have been reported with ibuprofen; therefore, the drug should be used with caution in patients with a history of cardiac decompensation or hypertension.
Ibuprofen can inhibit platelet aggregation and prolong bleeding time. CHILDREN'S ADVIL® SUSPENSION should be used with caution in persons with intrinsic coagulation defects and those on anticoagulant therapy.
The antipyretic and anti-inflammatory activity of ibuprofen may reduce fever and inflammation, thus diminishing their utility as diagnostic signs in detecting complications of presumed noninfectious, noninflammatory painful conditions.
Small decreases (usually not exceeding one gram) in hemoglobin and hematocrit with an apparent dose response relationship have been observed following chronic administration. If there are no signs of bleeding, it is probably not clinically important.
To avoid exacerbation of disease or adrenal insufficiency, patients on prolonged corticosteroid therapy should have their therapy tapered slowly when CHILDREN'S ADVIL® SUSPENSION is added to the treatment program.
Aseptic meningitis: Aseptic meningitis with fever and coma has been observed on rare occasions in adult patients on ibuprofen therapy. Although it is more likely to occur in patients with systemic lupus erythematosus and related connective tissue diseases, it has been reported in adult patients who do not have underlying chronic disease. If signs or symptoms of meningitis develop in a patient on CHILDREN'S ADVIL® SUSPENSION, the possibility of its being related to ibuprofen should be considered.
Renal Effects: As with other nonsteroidal anti-inflammatory drugs, long-term administration of ibuprofen to animals has resulted in renal papillary necrosis and other abnormal renal pathology. In humans, there have been reports of acute interstitial nephritis with hematuria, proteinuria, and occasionally nephrotic syndrome.
A second form of renal toxicity has been seen in patients with prerenal conditions leading to reduction in renal blood flow or blood volume. In these patients, administration of a nonsteroidal anti-inflammatory drug may cause a dose dependent reduction in prostaglandin formation and precipitate overt renal decompensation. Patients at greatest risk of this reaction are those with impaired renal function, heart failure, liver dysfunction, and those taking diuretics and the elderly. Those patients at high risk who chronically take CHILDREN'S ADVIL® SUSPENSION should have renal function monitored if they have signs or symptoms of azotemia. Discontinuation of nonsteroidal anti-inflammatory drug therapy is typically followed by recovery to the pretreatment state.
Since ibuprofen is eliminated primarily by the kidneys, patients with significantly impaired renal function should be closely monitored and a reduction in dosage should be anticipated to avoid drug accumulation.
Information for Patients: Physicians may wish to discuss with their patients the potential risks and likely benefits of treatment with CHILDREN'S ADVIL® SUSPENSION.
Laboratory Tests: Meaningful (3 times the upper limit of normal) elevations of SGPT or SGOT (AST) occurred in controlled clinical trials in less than 1% of patients. A patient with symptoms and/or signs suggesting liver dysfunction, or in whom an abnormal liver test has occurred, should be evaluated for evidence of the development of more severe hepatic reactions while on therapy with ibuprofen. If abnormal liver tests persist or worsen, if clinical signs and symptoms consistent with liver disease develop, or if systemic manifestations occur, CHILDREN'S ADVIL® SUSPENSION should be discontinued.
Diabetes: Each 5 mL of CHILDREN'S ADVIL® SUSPENSION contains 2.5 g of sucrose which should be taken into consideration when treating patients with impaired glucose tolerance. It also contains 350 mg of sorbitol per 5 mL. Although in clinical trials CHILDREN'S ADVIL® SUSPENSION was not associated with more diarrhea than control treatments, should a patient develop diarrhea, the physician may wish to review the patient's dietary intake of sorbitol from other sources.
Drug Interactions: *Coumarin-type Anticoagulants:* Bleeding has been reported when ibuprofen and other nonsteroidal anti-inflammatory agents have been administered to patients on coumarin-type anticoagulants; the physician should be cautious when administering CHILDRENS ADVIL® SUSPENSION to patients on anticoagulants.
Aspirin: Concurrent use of aspirin is not recommended.
Methotrexate: In vitro studies indicate that ibuprofen could enhance the toxicity of methotrexate. Caution should be used if CHILDREN'S ADVIL® SUSPENSION is administered concomitantly with methotrexate.
H_2 Antagonists: In studies with human volunteers, coadministration of cimetidine or ranitidine with ibuprofen had no substantive effect on ibuprofen serum concentrations.
Furosemide: Ibuprofen can reduce the natriuretic effect of furosemide and thiazides in some patients. During concomitant therapy with CHILDREN'S ADVIL® SUSPENSION, the patient should be observed closely for signs of renal failure as well as to assure diuretic efficacy.
Lithium: Ibuprofen produced an elevation of plasma lithium levels (15%) and a reduction in renal lithium clearance (19%) in a study of 11 normal volunteers during the period of concomitant drug administration. Patients should be observed carefully for signs of lithium toxicity. Read package insert for lithium before its use.
Pregnancy: Administration of ibuprofen is not recommended during pregnancy or for use by nursing mothers.
Infants: Safety and efficacy of CHILDREN'S ADVIL® SUSPENSION in children below the age of 12 months have not been established.
ADVERSE REACTIONS: The most frequent type of adverse reaction occurring with CHILDREN'S ADVIL® SUSPENSION is gastrointestinal. In clinical trials among adults involving chronic administration of ibuprofen, the percentage of patients reporting one or more gastrointestinal complaints ranged from 4% to 16%.
Incidence Greater Than 1% (but less than 3%), Probable Causal Relationship
Gastrointestinal: Nausea,* epigastric pain,* heartburn,* diarrhea, abdominal distress, nausea and vomiting, indigestion, constipation, abdominal cramps or pain, fullness of the GI tract (bloating and flatulence).
Central Nervous System: Dizziness,* headache, nervousness.
Dermatologic: Rash (including maculopapular type),* pruritus.
Special Senses: Tinnitus.
Metabolic/Endocrine: Decreased appetite.
Cardiovascular: Edema, fluid retention (generally responds promptly to drug discontinuation) (see PRECAUTIONS).
*Reactions occurring in 3% to 9% of adult patients treated with ibuprofen.
Precise Incidence Unknown (but less than 1%), Probable Causal Relationship
Gastrointestinal: Gastric or duodenal ulcer with bleeding and/or perforation, gastrointestinal hemorrhage, pancreatitis, melena, gastritis, hepatitis, jaundice, abnormal liver function tests.
Dermatologic: Vesiculobullous eruptions, urticaria, erythema multiforme, Stevens-Johnson syndrome, alopecia.
Central Nervous System: Depression, insomnia, confusion, emotional lability, somnolence, aseptic meningitis with fever and coma.
Special Senses: Hearing loss, amblyopia (blurred and/or diminished vision, scotomata and/or changes in color vision) (see PRECAUTIONS).
Hematologic: Neutropenia, agranulocytosis, aplastic anemia, hemolytic anemia (sometimes Coombs' positive), thrombocytopenia with or without purpura, eosinophilia, decreases in hemoglobin and hematocrit (see PRECAUTIONS).
Cardiovascular: Congestive heart failure in patients with marginal cardiac function, elevated blood pressure, palpitations.
Allergic: Syndrome of abdominal pain, fever, chills, nausea and vomiting, anaphylaxis, bronchospasm (see CONTRAINDICATIONS).
Renal: Acute renal failure in patients with preexisting significantly impaired renal function (see PRECAUTIONS), decreased creatinine clearance, polyuria, azotemia, cystitis, hematuria.
Miscellaneous: Dry eyes and mouth, gingival ulcers, rhinitis.
Precise Incidence Unknown (but less than 1%), Causal Relationship Unknown
Central Nervous System: Paresthesias, hallucinations, dream abnormalities, pseudotumor cerebri.
Dermatologic: Toxic epidermal necrolysis, photoallergic skin reactions.
Special Senses: Conjunctivitis, diplopia, optic neuritis, cataracts.
Hematologic: Bleeding episodes (eg, epistaxis, menorrhagia).
Metabolic/Endocrine: Gynecomastia, hypoglycemic reactions, acidosis.
Cardiovascular: Arrhythmias (sinus tachycardia, sinus bradycardia).
Allergic: Serum sickness, lupus erythematosus syndrome, Henoch-Schonlein vasculitis, angioedema.
Renal: Renal papillary necrosis.
OVERDOSAGE: Patients with a history of ingestion of greater than 100 mg/kg should have induced emesis or gastric lavage. Multiple dose oral administration of activated charcoal may be useful. Supportive therapy may include oxygen, respiratory support, and parenteral fluids. Because the drug is acidic and excreted in the urine, administration of sodium bicarbonate and induction of diuresis may be beneficial.
DOSAGE AND ADMINISTRATION: Juvenile arthritis: 30-40 mg/kg day in 3 or 4 divided doses
Fever: 5 mg/kg if baseline temperature is 102.5°F or below or 10 mg/kg if baseline temperature is greater than 102.5°F every 6-8 hours (children); 400 mg every 4-6 hours (adults)
RA and OA: 1200-3200 mg per day in 3 or 4 divided doses
Mild to moderate pain in adults: 400 mg every 4 to 6 hours
Dysmenorrhea: 400 mg every 4 hours
HOW SUPPLIED: 4 and 16 oz. bottles
Caution: Federal law prohibits dispensing without prescription.

References:
1. Walson PD, Galletta G, Braden NJ, Alexander L. Ibuprofen, acetaminophen, and placebo treatment of febrile children. *Clin Pharmacol Ther.* 1989;46:9-17.
2. Independent Clinical Study: Reduction of Fever in Children, Multiple Dose. Data on file, Medical Department, Whitehall Laboratories.
3. Independent Clinical Study: Juvenile Arthritis. Data on file, Medical Department, Whitehall Laboratories.

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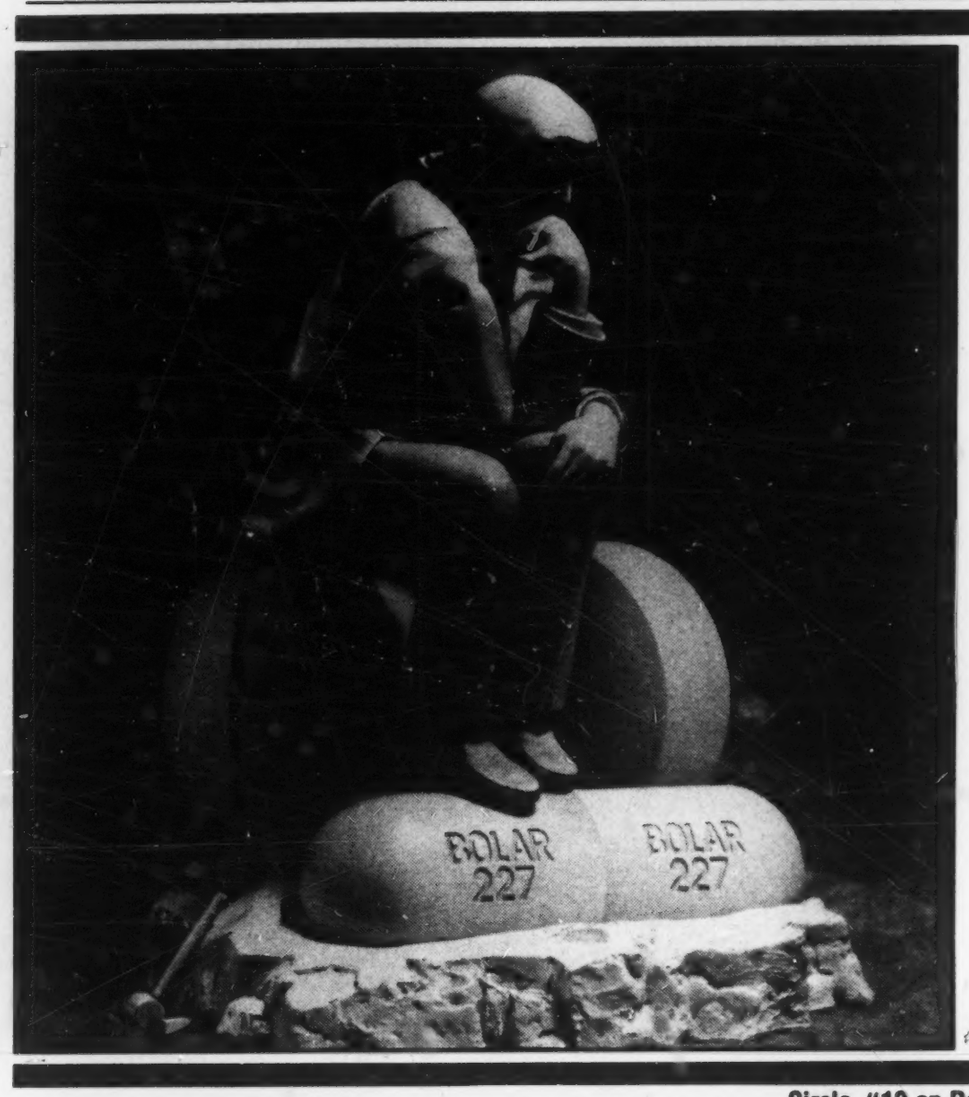

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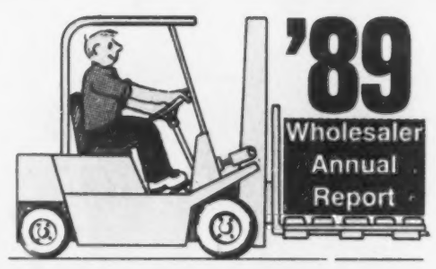
Wholesaler expansion primarily internal

Expansion is still underway in the wholesale industry, but it is happening internally. Wholesalers enter new markets or beef up their presence in existing markets by building bigger, larger and more sophisticated facilities.

Florida, Texas, New Jersey and New England were particularly mentioned as attractive markets to get more involved in.

This is still an industry very much dominated by the highest-volume companies. In 1989, for example, the top five companies will generate over $15 billion in sales, approximately 60 percent of the $25 billion it is estimated the industry will do in 1989. The top 10 companies will generate 74 percent of total sales.



The companies in the second tier, those doing between $150 million and $500 million in sales, are depending on their flexibility and creativity to survive and prosper. Most of these companies are working hard to create a "service centered business" in which they treat their customers' needs as their own, and their suppliers needs as the needs of a partner.

The bigger companies are trying to do this as well, but the middle level chains are betting that their size, protecting them from the danger of bureaucratic stiffness, will give them a competitive edge.

Drug wholesalers: five-year sales growth

(In billions of $)

	1984	1985	1986	1987	1988	1989 (est.)
Dollar sales	$12.5	$14.0	$16.6	$19.4	$22.2	$25.2
Percentage change vs. prior year (current dollars)	12.8%	14.8%	18.5%	16.8%	14.0%	14.0%
Percentage change adjusted for price changes/ inflation	4.8%	8.7%	12.6%	9.4%	9.5%	N.A.

Source: NWDA 1988 Operating Survey/*Drug Store News* 1989 sales estimates

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Profile: McK keeps a strong focus on service

SAN FRANCISCO — McKesson Drug is continuing to evolve into a service-oriented wholesaler with a strong emphasis on value-added programs for their retail customers.

To that end, the San Francisco-based wholesaler introduced an in-store training program, a cholesterol testing program and a brand new national Valu-Rite cable television ad campaign that is breaking this month.

They have also enhanced their pharmacy design department by adding a computer-aided design program to their system.

Fred Toney, McKesson's senior vp-sales and merchandising, said the program lets McKesson develop a much better, more accessible design for its customers. When a retailer wants to redesign his store, a McKesson sales rep can take his store's individual measurements, send them down to the computer and have the computer generate and print out the new layout.

McKesson is also adopting a new value-added system for its hospital customers. President Joe Polastri said its new hospital program, which will be launched early next year, will be "the best system out there. No one has what we have." It will be a PC-based system that will allow hospitals access to the McKesson mainframe to get data on such things as ordering, pricing, product availability, and substitutions.

In the technological area, McKesson is continuing to test a new system to monitor materials handling. The system they are working with is called Flex Master; it's been used in the Sacramento warehouse for a year now. Polastri says the test is working out "pretty well, but it is too early to talk about savings or expansions."

To operate more efficiently, the company is continuing to close smaller distribution centers and consolidate into bigger facilities that can operate more efficiently.

This year, McKesson opened four new facilities in Salt Lake City, Oklahoma City, Tampa and Cincinnati. It started the year with 48 facilities in operation and ended with 47. But the 47 facilities were doing an average of $120 million per year. In contrast, some smaller and mid-size companies are generating volumes in the $50, $60 and $80 million a year range while others are averaging as low as $22 million per facility.

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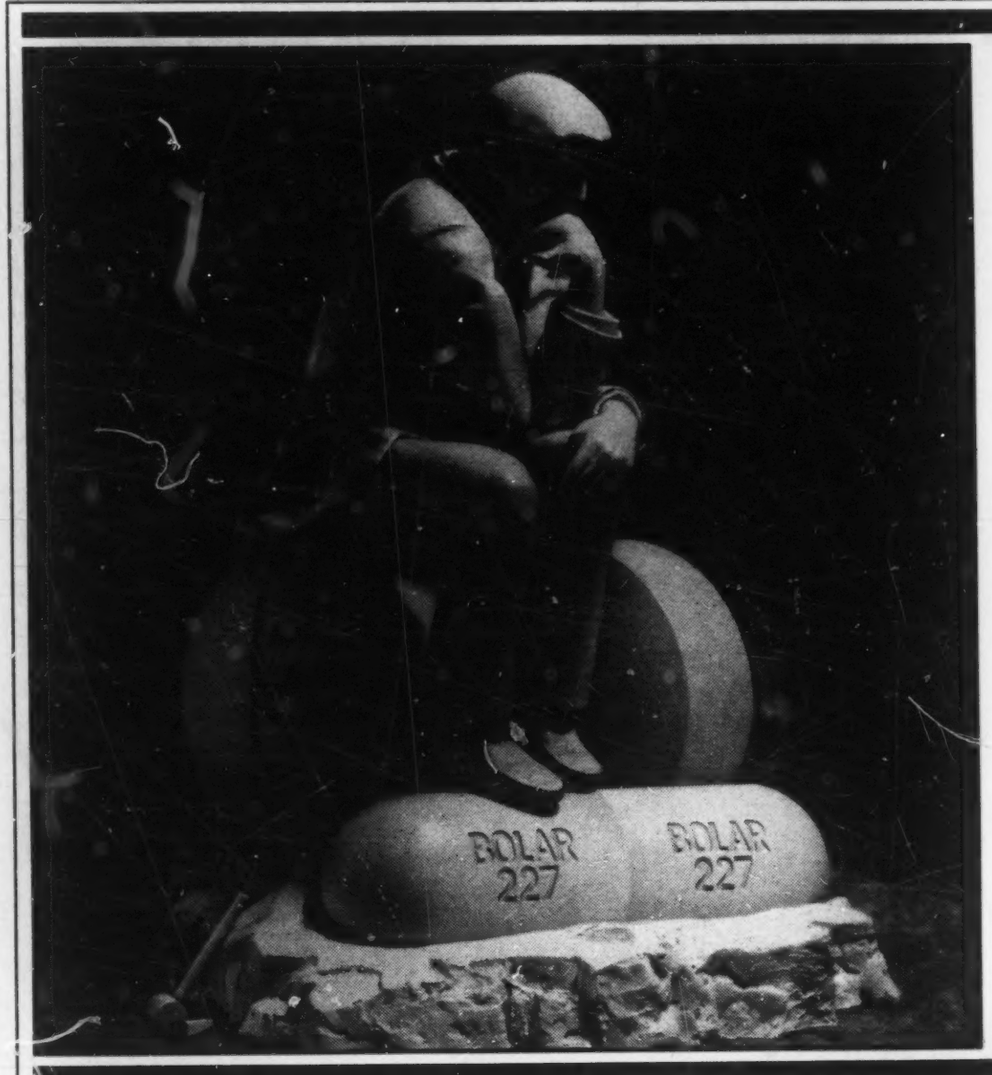
Continued from previous page

Today, McKesson operates with 4.4 million square feet of warehouse space. The wholesaler also operates nationally and can service accounts anywhere, a key factor Polastri says helped it to win the Wal-Mart account: "The wholesaler they had been using had to go a long way to service them. We were more efficient. We're in all the markets that they're in, and we're also in California and New England where they are planning to expand."

In the past year, McKesson has also increased the number of retailers in its Valu-Rite voluntary program. Valu-Rite now has over 3,000 members, or approximately 20 percent of all McKesson's retail accounts.

McKesson is expanding the mix in its private label programs, and giving more promotional support to private label brands. This year's trade show in July was its biggest ever. Toney says it had the largest turn-out in McKesson's history, and sales at the show exceeded $72 million.



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Profile: Bergen's strategy? 'Help stores make money'

ORANGE, Calif. — At Bergen Brunswig, Phil Engle, president, says the most important accomplishment last year was "a company-wide emphasis on quality improvements."

Engle says Bergen's strategic focus this year is to put together "a continuous, formulated quality improvement program involving everyone.

"Anything that impacts the quality of service, we're looking at," he says.

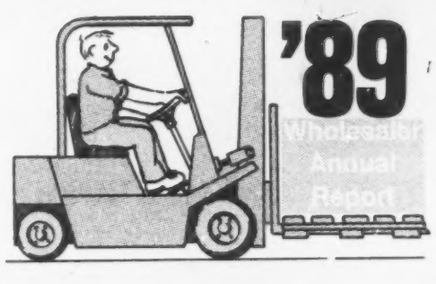
Like most wholesalers, Bergen is using advisory boards to point out areas needing improvement or enhancement. It currently has five such boards. "Ultimately the companies that grow and prosper in this industry," says Engle, "will be those that focus on their customers and their suppliers.

"The whole drug industry has pared itself down to where whatever little change can be made in price incentives is minimal, one-tenth or two-tenths of a percent basically.

"The savings that customers can realize from a difference of one- or two-tenths of a percent will be insignificant if their supplier can't deliver high-quality programs that will help them make or save money."

To further strengthen its position in the marketplace, Bergen is segmenting its customer base and developing marketing programs tailored to a diverse base of customers. Some of those customers include general drug stores, prescription drug stores, acute care hospitals, maintenance hospitals, and large and small chains.

One of its new value-added programs for hospitals is a complete on-line hospital computer system that can perform several vital functions, including ordering, inventory control, and price updates. Expected to be



launched next month, the new system has been designed to save hospitals time and money, and improve health care service by helping to make them more efficient.

It is also supporting its Good Neighbor voluntary program with national television advertising that broke early last summer on cable television.

Bergen also has a fairly new customer analysis program for retailers.

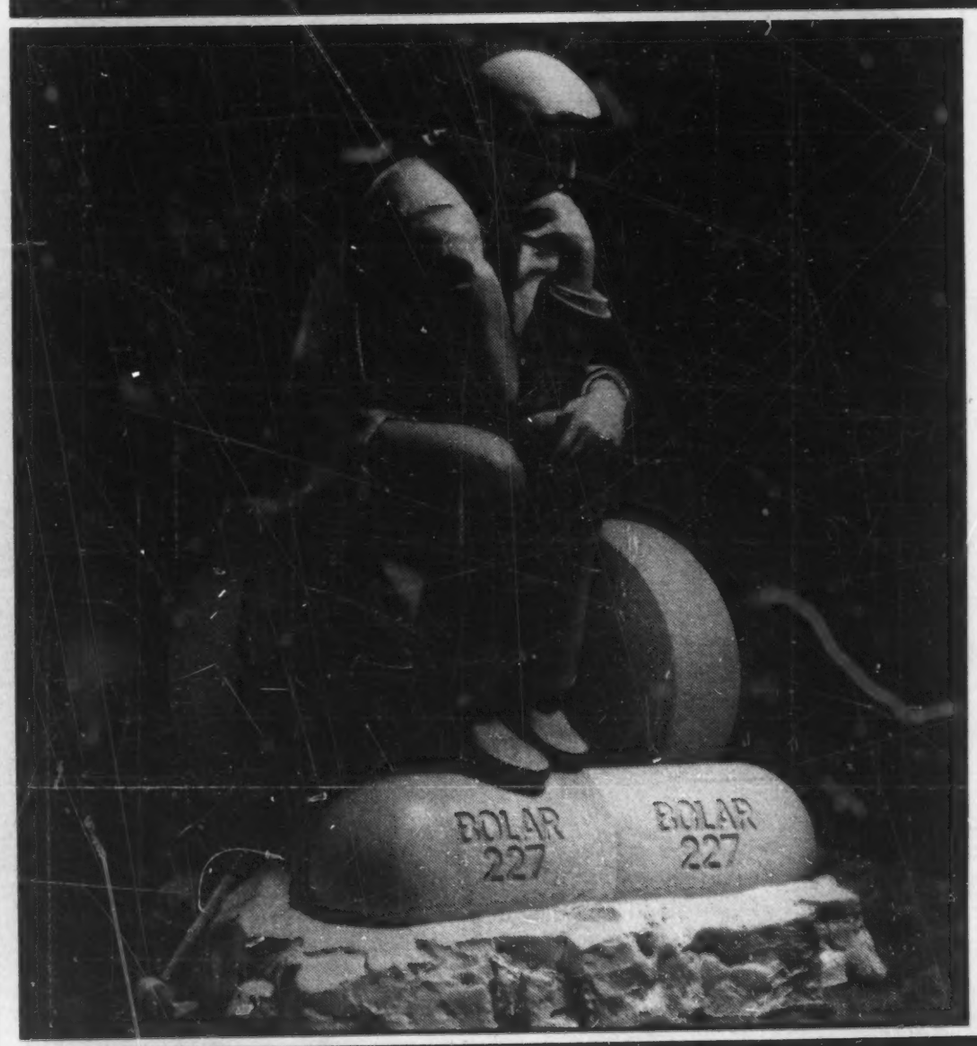
In terms of technology, new automated systems installed in its Valencia warehouse when it opened more than a year ago are working out "very well," Engle says. It now plans to open a second warehouse like Valencia's in Corona, Calif., in August 1990.

The Valencia facility currently has two 100-foot A-Frame automated pickers. Orders are electronically put on the conveyor belt and Custom Management System software moves the orders to wherever they need to go. The conveyor takes the product to the picker who picks it. It carries it over to where the tote is lidded and strapped and rolls it down to where workers are waiting to load it on the truck. The automated system covers about half the items that are picked in the warehouse, Engle says.

Drug wholesalers customer sales mix
(Percentage of drug wholesale gross sales)

Customers	1979	1985	1986	1987	1988
Independents	60.7%	50.0%	47.7%	45.6%	44.2%
Chain drug stores	20.8	23.2	23.7	22.8	21.7
Hospitals	11.4	19.5	20.1	22.2	22.8
Chain drug warehouses	4.7	4.2	5.1	5.0	6.1
Mass merchandisers, food stores	1.6	2.0	2.3	2.5	3.4
Clinics, nursing homes, others	0.8	1.2	1.2	1.9	0.9

Source: NWDA 1988 Operating Survey



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Profile: FoxMeyer focuses on 'the drug side of business'

CARROLLTON, TEXAS — Last year was pretty much devoted to restructuring FoxMeyer, and "this year, FoxMeyer is going back to focusing on the drug side of its business," says Bob King, president.

In the coming months, FoxMeyer will finish consolidating its recently-acquired Louis Zahn division into its Carol Stream facility just outside Chicago. The larger facility has the capacity to do over $400 million a year while the two smaller facilities between them did about $350 million.

That consolidation should be completed by next March. FoxMeyer is also consolidating its smallest division in Wichita into Kansas City and Oklahoma City. That will bring the wholesaler down to 12 facilities, with the lowest-volume one generating $90 million annually "with growth potential," compared with $75 million now. "We should save $1 million just by closing Wichita," King said.

This past year, FoxMeyer made a series of key personnel changes, including hiring a chief financial officer, a senior vp of data processing and a senior vp of human resources for its Dallas division.

"We feel we have strong people who will give us what we need for the future," King said.

King also thinks that value-added services are particularly crucial to a wholesaler's future prosperity. FoxMeyer is continuing to sign up new members to the Health Mart voluntary program, adding 150 over the past year.

It has strengthened recruitment of independents, inviting potential customers "to come grow with us." That's garnered 500 new accounts over the past couple of years, King says.

Some incentives for attracting new customers have been quite creative. Their salespeople, for example, will send a potential customer a chocolate cream pie or an apple pie and with it, they'll enclose a message like "Grab a bigger slice of the pie. Come grow with us."

Or they may promise a brighter future and send that message along with a pair of sunglasses.

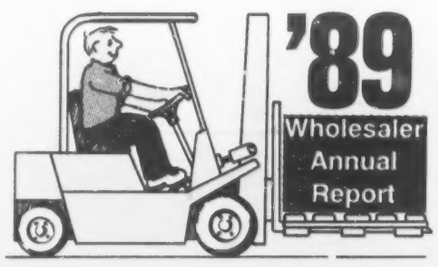
It also rolled out a new generic prescription distribution program called Direct Source. The program centers around FoxMeyer going directly to a generic manufacturer, eliminating the middleman, thereby cutting a better deal for the retail.

FoxMeyer is also testing a new home health care product catalog. "It's the most cost-efficient way for retailers to get into that business," King says.

Other technological advances include a new computer system for hospital customers. King describes it as a PC-based "sophisticated order processing/inventory control inquiry system." Hospitals can access the system to see exactly what's available at what price.

FoxMeyer has done about 50 installations to date and is proceeding to install about 15 more each month.

It is one of the few wholesalers helping its retailers expand into the HMO market by bidding for an HMO and passing the contract to the retailer.

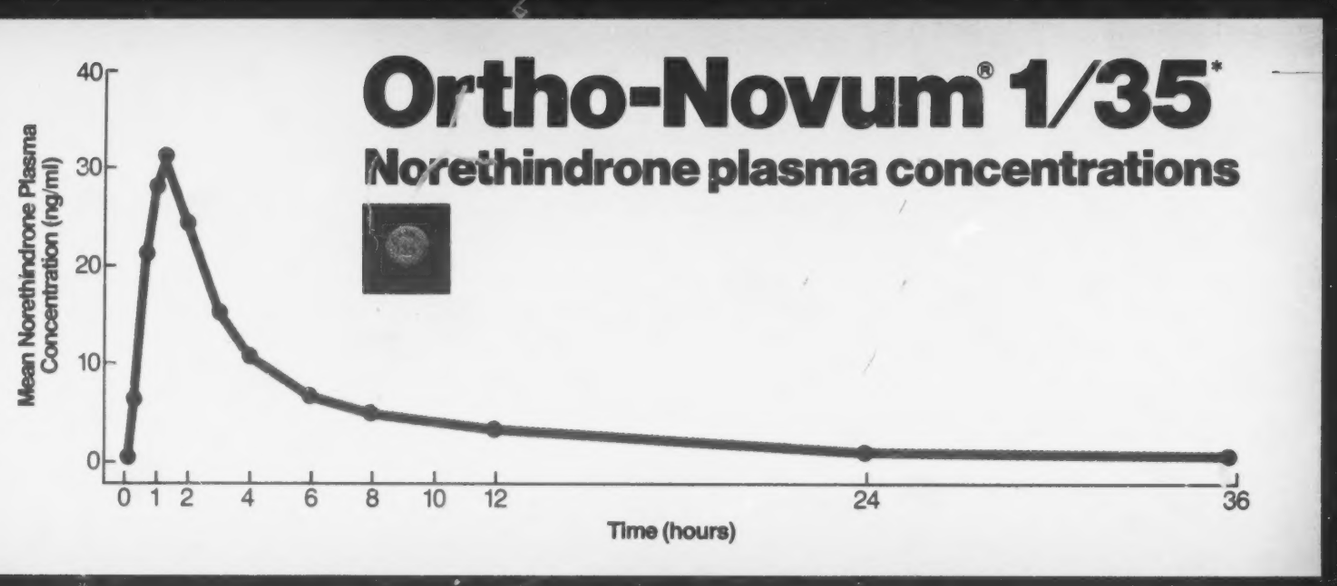


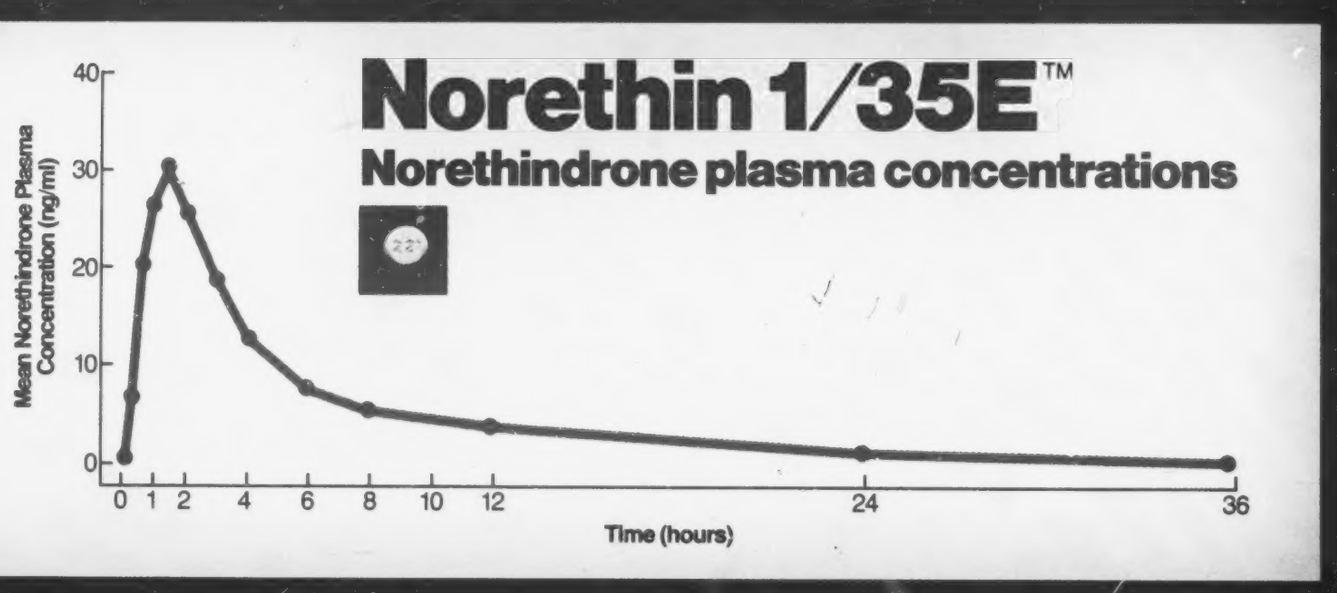
Drug wholesalers: expense and profit trends

	1984	1985	1986	1987	1988
Gross profit*	9.74%	8.86%	8.19%	7.60%	7.34%
Operating expenses	6.84	6.17	5.98	5.28	4.99
Net operating income*	2.90	2.68	2.21	2.31	2.34

*FIFO results

Source: NWDA 1988 Operating Survey





Adapted from Kunka RL

Bioequivalent ...but not equal

One of these oral contraceptives costs 50% more than the other.

Ortho-Novum® is a norethindrone and ethinyl estradiol 35 mcg oral contraceptive of Ortho Pharmaceutical Corporation.

DRUG STORE NEWS®
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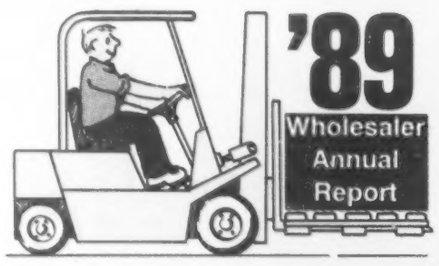
Drug wholesaler industry profitability trends

Indicators	1984	1985	1986	1987	1988
Return on net worth	16.4%	13.1%	9.7%	12.8%	11.3%
Return on total assets	7.3	6.1	4.6	5.6	4.7
Net profit margin	1.8	1.5	1.1	1.3	1.1
Total asset turnover	4.1	3.9	3.9	4.1	4.2
Gross profit margins	9.7	8.9	8.2	7.6	7.3

Source: NWDA 1988 Operating Survey

Profile: Slimmer Alco improves service



VALLEY FORGE, Pa. — For the past nine months, Alco has been on a consolidation program that resulted in the closing of five distribution centers.

When Alco consolidates, it prefers to leave sales and customer service divisions in place so the only change the customer sees is orders arriving from a different place.

John McNamara, president, said the consolidation benefits the customer as well as Alco. "They actually get a higher level of service because we have a bigger DC and stock more variety, up to 35,000 items."

Alco now has what McNamara calls a "transparent ordering system," meaning that all orders now go into one computer system.

If a retailer in Louisville, for example, orders something that his local warehouse doesn't have, the computer determines from where that product can be shipped, and it is automatically sent to Louisville. The retailer, however, doesn't have to bother about paying a second bill or getting two deliveries. As far as he's concerned, that product came from Louisville. He gets one shipment and one invoice.

Alco may be the only large wholesaler stocking a full line of cosmetics: they own a specialty company called Rita Ann cosmetics which services a 30-state area. Rita Ann has its own sales force to solicit orders, and the product is delivered direct to the store.

Alco offers its customers a full catalog of value-added services including a radio, TV and circular advertising program geared to local markets, in-store planograming assistance, their own private label line and a broad prescription generic program that includes a "prime source" that allows retailers to buy directly from the manufacturer.

Realizing that there are still many independents whose stores aren't big enough to be full-line drug stores or to stock a large assortment of front-end products, Alco created a new marketing program for the small independent who does most of his sales in pharmacy and over-the-counter products. It's a voluntary program similar to its Family Independent Pharmacist, called the Family Independent Pharmacy Prescription Center.

It includes a private label and generic prescription program, a senior citizen marketing program, and ad support that's geared more to the pharmacy and OTC departments.

At press time, Alco was rolling the program out into most of its markets, and McNamara said he thought it will increase the number of Family Independent Pharmacist customers by some 25 percent to 30 percent.

Alco is also installing a new common or centralized computer system that should be on line by 1991.

Over the years, Alco has been consolidating its smaller DCs into large, more centrally located, facilities with sophisticated automated equipment. It is trying a carousel picking machine in one facility, which works by bringing the product to the picker on a programmed basis.

From the plasma concentrations[1] of ethinyl estradiol and norethindrone produced by Ortho-Novum 1/35 (norethindrone 1 mg, ethinyl estradiol 35 mcg) and Norethin 1/35E (norethindrone 1 mg, ethinyl estradiol 35 mcg), there doesn't seem to be any difference between them. Or does there?

They *are* bioequivalent.[1] Norethin 1/35E is AB-rated[2] as a therapeutic equivalent for both Ortho-Novum 1/35 and Norinyl® 1+35.‡ But the substantial difference in cost means that when you sell Norethin you can pass along significant savings to your customers.

Well below the Federal MAC[3]

With an AWP of only $8.15,[4] Norethin 1/35E costs less than ⅔ as much as Ortho-Novum 1/35 ($13.75[4]) and ½ as much as Norinyl 1+35 ($16.30[4]), putting it well within the $10.42/cycle Federal MAC guideline for reimbursement.

Searle—a name you AND your customer can trust

Something besides price sets Norethin apart: Searle, its developer and manufacturer, has been making oral contraceptives for nearly 30 years—longer than anyone else. So when you substitute the fully AB-rated Norethin, you're giving your customer everything she ever got from Ortho-Novum or Norinyl. And more.

For less.

Norethin 1/35E™
norethindrone 1 mg, ethinyl estradiol 35 mcg)

Norethin 1/50M™
norethindrone 1 mg, mestranol 50 mcg)

SCHIAPPARELLI SEARLE

A89-S7475T

References: 1. Kuhnz RL. Results of bioequivalence studies of Norethin 1/35E (norethindrone 1 mg, ethinyl estradiol 35 mcg) and Norethin 1/50M (norethindrone 1 mg, mestranol 50 mcg). *US Medical and Scientific Affairs*. G.D. Searle & Co. 1987. Available from Department of Medical Relations, G.D. Searle & Co., Skokie, IL 60077. 2. Approved Drug Products with Therapeutic Bioequivalence Evaluations (ed 8). US Dept of Health and Human Services. Jul 1988. An AB rating designates a product as therapeutically equivalent to another pharmaceutical. 3. *State Medicaid Manual*. pt 6. Payment for Services. HCFA Publication 45-6. Addendum A. pp A-10, A-16. Dept of Health and Human Services. April 1989. 4. Drug Topics *Red Book Update*. April 1989. pp 22-24.

Norinyl 1+35 (norethindrone 1 mg, ethinyl estradiol 35 mcg) is a registered trademark of Syntex Laboratories.

The physician should become familiar with the prescribing information (labeling) for this product, which discusses reported risks, such as thromboembolic disorders (including strokes and heart attacks) and hepatic lesions, as well as the need to monitor patients for early symptoms of any diseases or medical conditions, so use can be discontinued where appropriate. A brief summary of prescribing information is presented on the following page.

NDC 0014-0441
Norethin 1/50M-28
(norethindrone and mestranol tablets USP)
Each white tablet contains norethindrone 1 mg and mestranol 50 mcg.
Each blue tablet contains inert ingredients.
NDC 0014-0231
Norethin 1/35E-28
(norethindrone and ethinyl estradiol tablets USP)

Equivalent to Ortho-Novum, except in price.

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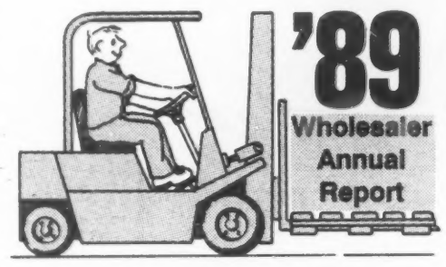
Profile: Bindley seeks to increase presence



INDIANOPOLIS — Chairman and ceo Bill Bindley says the main focus at Bindley Western this past year has been to "increase our presence in our traditional drug store markets."

Bindley has always specialized in servicing chain drug warehouses, but to handle this particular customer base efficiently, Bindley has had to operate with extremely low margins, low even for this industry.

To compensate for this, Bindley began expanding into other business areas back in the early '80s.

In 1980, for example, about 4 percent of Bindley's sales were direct to stores, hospitals or other clients. That percentage has since grown to nearly 18 percent of Bindley's annual sales.

Like many wholesalers, Bindley is also upgrading its warehouses. New facilities are larger and utilize fully mechanized conveyor systems.

In the past year and a half, Bindley expanded its product mix, tripling the number of SKUs in the warehouse. Today Bindley Western considers itself a "full line wholesaler", as far as front-end merchandise is concerned. In its largest warehouse, it stocks over 18,000 SKUs. That facility acts as a supplier to the smaller warehouses in the Bindley system.

Bindley has also upgraded four of its warehouses with a computerized conveyor pick. The plan is to expand the system, which can handle single pick orders, to two more facilities within the coming year.

To help strengthen promotional support to retailers, Bindley acquired Northeast Food Distribution, a small distributor of non-perishable food headquartered in Boston, and can now provide non-perishable, traffic-building grocery items (such as coffee, tuna, and pet foods) for *all* its retail customers, chains as well as independents.

"It could turn out to be a growth area for us. I don't know for sure," Bindley said of promotional groceries, but he sees the category as a way to service his customers better as well as a way to take advantage of the distribution system now in place.

Although Bindley is not interested in the home health care market, he is selectively pursuing the hospital market. "If the margins are too low, we pass on a lot of bids," he said.

Bindley changed its data processing program and is now using a PC-based system for communicating with retailers and hospitals. Retailers and hospitals who use the system, which is tailored to the needs of individual customers, can access the Bindley data bank at any time for items like price updates, placing orders or securing any information needed to operate their businesses more effeciently.

Bindley also has its own generic prescription program which the company constantly evaluates. Bindley is taking a wait-and-see attitude toward the current furor over generics, saying he plans no changes in his own program, but may make some down the line.

BRIEF SUMMARY

Norethin 1/35E™ Each white tablet contains norethindrone 1 mg and ethinyl estradiol 35 mcg. Each blue tablet in Norethin 1/35E-28 is a placebo containing inert ingredients.

Norethin 1/50M™ Each white tablet contains norethindrone 1 mg and mestranol 50 mcg. Each blue tablet in Norethin 1/50M-28 is a placebo containing inert ingredients. **Indication and usage:** For prevention of pregnancy. Pregnancy rate for products with ≥35 mcg ethinyl estradiol or ≥ 50 mcg mestranol is ≤1/100 woman-years. With ≤35 mcg ethinyl estradiol, rate is slightly higher; with progestogen-only oral contraceptives (OCs), rate is about 3. Precise comparisons cannot be made. Rates for other methods have been published. *Dose-related Thromboembolic Risk.* Studies showed positive association between OC estrogen dose and thromboembolic risk. It is in keeping with good therapeutics to minimize estrogen exposure. Prescribe product containing least amount of estrogen compatible with acceptable pregnancy rate and patient acceptance. Start new users on ≤50 mcg estrogen. **Contraindications:** Thrombophlebitis, thromboembolic disorders, past history of deep vein thrombophlebitis or thromboembolic disorders; cerebrovascular disease, myocardial infarction or coronary artery disease, or past history of these; known or suspected breast carcinoma, estrogen-dependent neoplasia, or pregnancy; undiagnosed abnormal genital bleeding; past or present, benign or malignant liver tumors developing during use of estrogenic products. **Warnings:**

Cigarette-smoking increases risk of serious cardiovascular side effects from OC use. Risk increases with age and heavy smoking (15 or more cigarettes/day) and is quite marked in women over 35. OC users should be strongly advised not to smoke. OCs are associated with increased risk of several serious conditions including venous and arterial thromboembolism, thrombotic and hemorrhagic stroke, myocardial infarction, visual disorders, hepatic tumors, gallbladder disease, hypertension, fetal abnormalities. Practitioners should be familiar with the available information relating to these and other risks.

1. *Thromboembolic disorders and other vascular problems:* Increased risk of thromboembolic and thrombotic disease associated with OCs is well established. A British study showed increased risk for fatal venous thromboembolism (TE). British and U.S. studies showed increased risk for nonfatal disease. U.S. studies showed increased risk for stroke. OC users were 2-11 times more likely to manifest these diseases without evident cause. In a study of idiopathic deep vein thrombosis and pulmonary embolism (PE), projected hospitalization rates for ages 16-40 were 47/year/100,000 users and 5 for nonusers. Overall excess mortality from PE or stroke was 1.3-3.4 deaths/year/100,000 users and increased with age. *Cerebrovascular Disorders:* In a study of stroke with and without predispositions, risk of hemorrhagic stroke was 2 times greater and thrombotic stroke 4.0-9.5 times greater in users. Mortality trends in 21 countries indicate that changes in cardiovascular mortality were associated with changes in OC prevalence. The Royal College of GPs (RCGP) reported on its prospective study: "A statistically significant higher rate of reporting of cerebrovascular accidents in Takers is evident, but the numbers are too small to justify an estimation of the degree of risk." A 1981 analysis showed a 4-fold increased mortality in users from circulatory diseases, mainly myocardial infarction (MI) and hemorrhagic stroke. Excess mortality was associated with age and smoking. A 1983 analysis showed elevated cerebrovascular disease, increasing with use to 8 yrs, including cerebral thrombosis or embolism and TIA. Peripheral arterial disease and MI were increased. Women over 30 had more arterial disease, being greatest in smokers. Arterial case-fatality was 2-3 times greater for users who smoked. Family Planning Assoc. (FPA) found significant association between OC use and stroke; increased risk for venous thrombosis and PE was 4-fold and statistically significant. Mortality from nonrheumatic heart disease was greater in ever-users. In the Walnut Creek Study, subarachnoid hemorrhage risk was associated with smoking, age, and OC use. *Myocardial Infarction:* Increased risk of MI associated with OCs was reported in Britain, as previously suspected. The morbidity study found the greater the number of risk factors for coronary artery disease (smoking, hypertension, hypercholesterolemia, obesity, diabetes, history of preeclamptic toxemia) the higher the risk, regardless of OC use. OCs were an additional risk factor. Excess rate of fatal MI was 3.5/year/100,000 users aged 30-39 and 20 for ages 40-44. (These are based on British statistics with acute MI death rates 2-3 times less than the U.S. Similar estimates for the U.S. are 25.7 for users aged 30-39 with predispositions vs 1.5 without; for ages 40-44, 86.2 vs 5.1.) Excess hospitalization rate for nonfatal MI in Britain was 3.5/year/100,000 users aged 30-39 and 47 for ages 40-44. Smoking major predisposing condition to MI. In terms of relative risk, nonsmoking OC users are twice as likely to have fatal MI as nonsmoking nonusers. Smoking users have a 5-fold greater risk than nonsmoking users, but a 10-12-fold greater risk than nonsmoking nonusers. Amount of smoking is an important factor. In determining importance of these risks, give serious consideration to rates in table below. Importance of other predispositions cited above in determining relative and absolute risks has not been quantified; it is likely the same synergism exists, but perhaps to a lesser extent. U.S. studies similarly relate MI, OCs, smoking, and age.

Estimated Mortality Rate from Myocardial Infarction per 100,000 Women/Year

	Aged 30-39:	*Users*	*Nonusers*	*Aged 40-44:*	*Users*	*Nonusers*
All smokers		10.2	2.6		62.0	15.9
≥15 cigarettes daily		13.0	5.1		78.7	31.3
<15 cigarettes daily		4.7	0.9		28.6	5.7
Nonsmokers		1.8	1.2		10.7	7.4
Smokers and nonsmokers		5.4	1.9		32.8	11.7

Risk of Dose: Reports of TE after use of OCs with ≥50 mcg estrogen received by drug safety committees in Britain, Sweden, and Denmark were compared with distribution expected from market research sales estimates. A positive correlation was found between estrogen dose and reporting of TE, including coronary thrombosis, in excess of that predicted by sales. OCs with ≥100 mcg estrogen were associated with higher TE risk than those with 50-80 mcg. Estrogen quantity may not be the sole factor; influence of progestogens was not considered, which may be responsible for certain discrepancies in the data. No significant differences were noted between OCs containing same estrogen dose nor between ethinyl estradiol and mestranol. In Britain certain TE conditions were associated with progestogen or estrogen dose. In Sweden reports of TE decreased when higher estrogen doses were no longer prescribed. Studies on TE risk with progestogen-only OCs have not been done. Cases have been reported for these; they are not presumed free of risk. In a U.S. case-controlled study, relative risk of OC use 1 month before hospitalization for various types of TE was calculated. If relative estrogenic potency and possible influence of different progestogens are ignored, OCs may be divided into those with <100 mcg and those with ≥100 mcg estrogen. For all cases combined, larger doses were associated with only slightly higher risk; for idiopathic cases risk was doubled with larger doses, but confidence limits overlapped and differences were not significant. Apparently there was less increased risk for cases with predispositions. In FPA study no nonhemorrhagic strokes occurred with <50 mcg estrogen, vs 13 with higher doses. TE risk in users and nonusers increases with age. OCs have been considered an independent risk factor. *Persistence of Risk* after OC discontinuation was reported for circulatory disease, nonrheumatic heart disease, and cerebrovascular disease, including subarachnoid hemorrhage, cerebral thrombosis, and TIA. *Excess Mortality from Circulatory Diseases:* A U.K. prospective study estimated annual mortality from circulatory diseases for OC users and nonusers by age, smoking, and duration of use. Excess mortality was 23/100,000 users (2 and 10 for ages 25-34, 15 and 48 for ages 35-44, 41 and 179 for ages >44, for nonsmokers and smokers, respectively). Risk was significant only for smokers over 34. Most deaths were due to subarachnoid hemorrhage or ischemic heart disease. Risk for ever-users rose with parity. One study estimated risk of death with various contraceptive methods, each estimate including risk of method (eg, TE for OCs) plus risk due to pregnancy or abortion in cases of method failure. This latter risk varies with effectiveness. It concluded mortality with all methods is low and below that of childbirth, except for OC users over 40 who smoke. Heavy smokers have double the risk of smokers, light smokers about half. Mortality with OC use in nonsmokers over 40 is higher than with any other method in that age group. Lowest mortality is with condom or diaphragm backed up by early abortion. Risk of TE and thrombotic disease with OCs increases with age after 30 and, for MI, is further increased by hypertension, hypercholesterolemia, obesity, diabetes, history of preeclamptic toxemia, and especially cigarette smoking. Based on current data, the chart gives gross estimates of risk of death from circulatory disorders associated with OCs:

Risk is: A—very high; B—high; C—moderate; D—low.	Age:	<30	30-39	≥40
Heavy smokers (≥15/day)		C	B	A
Light smokers (<15/day)		D	C	B
Nonsmokers, no predispositions		D	C,D	C
Nonsmokers, with predispositions		C	C,B	B,A

Be alert to earliest manifestations of TE and thrombotic disorders (eg, thrombophlebitis, PE, cerebrovascular insufficiency, coronary artery disease, MI, retinal thrombosis, mesenteric thrombosis). Should any be suspected, discontinue OCs immediately. A 4-7-fold increased risk of postsurgery TE was reported in users; if feasible discontinue OCs at least 4 weeks before surgery or in prolonged immobilization. Before resuming OCs, weigh risks of postsurgery TE complications against contraceptive needs. The RCGP prospective study reported higher incidence of superficial and deep vein thrombosis in users, the former correlated with progestogen dose. The data suggest varicose veins have little effect on development of deep vein thrombosis but substantially increase risk of superficial vein thrombosis, risk depending on severity of varicosities. **2.** *Ocular lesions:* Neuro-ocular lesions such as optic neuritis or retinal thrombosis have been associated with OCs. Discontinue if there is unexplained, gradual or sudden, partial or complete loss of vision; proptosis or diplopia; papilledema; or evidence of retinal vascular lesions. Institute diagnostic and therapeutic measures. **3.** *Carcinoma:* Long-term estrogen in certain animals increases carcinomas and/or nonmalignant neoplasms, such as those of breast, uterus, cervix, vagina, ovary, liver, pituitary. Some synthetic progestogens, none currently in OCs, increase incidence of benign and malignant mammary nodules in dogs. There is evidence that estrogens increase risk of human endometrial carcinoma. In case-controlled studies, increased risk (2.2-13.9 times) associated endometrial carcinoma with prolonged estrogen for menopausal symptoms. Risk was independent of other known risk factors and depended on duration of use and dose. This is supported by increased endometrial cancer incidence since 1969 in areas with cancer-reporting systems, which may be related to rapidly expanding estrogen use. There is no evidence that natural estrogens are more or less hazardous than synthetics at equi-estrogenic doses. Of the first 30 cases of endometrial carcinoma in OC users under 40, those without predispositions (eg, irregular bleeding before OCs, polycystic ovaries) occurred nearly always with no-longer-marketed sequential OCs. No statistical association is reported suggesting increased endometrial cancer with combination or progestogen-only OCs, though individual cases were reported. Studies show no increased breast cancer with OCs or estrogens. However, greater risk was noted in OC users with benign breast disease or long-term (2-4 years) use. One study found greater risk of breast cancer with >4 years OC use prior to first full-term pregnancy. Risk of breast cancer with menopausal estrogens rose and further increased with duration of follow-up. OCs or estrogen were related to breast cancer in connection with other risk factors. Decrease in benign breast tumors in OC users is well known. Some studies suggested increased risk of cervical dysplasia, erosion, and carcinoma in long-term users. Cervical microglandular hyperplasia has been reported. In summary, there is no consistent evidence from human studies of increased cancer risk with OCs. Close surveillance is, however, essential. In undiagnosed persistent or recurrent abnormal vaginal bleeding, consider nonfunctional causes and take diagnostic measures to rule out malignancy. Carefully monitor users with strong family history of breast cancer or with breast nodules, fibrocystic disease, recurrent cystic mastitis, abnormal mammograms, or cervical dysplasia. **4.** *Hepatic adenomas, etc,* have been associated with OCs. In 1 study OC formulations with high "hormonal potency" were associated with higher risk, as was age over 30. Though benign, these lesions may rupture and cause fatal hemoperitoneum in short- or long-term users. Two studies related risk to duration of use, being much greater after ≥4 years. Long-term OC users have an estimated adenoma incidence of 3-4/year/100,000. Consider such lesions in users with abdominal pain, tenderness, mass, or shock. About 25% present with abdominal masses, up to half with acute hemoperitoneum. Radiologic and lab studies may not be helpful; liver scans may show local defect. Hepatic arteriography or CAT may be useful. Hepatocellular carcinoma risk is increased 7-20 times in users for 8 or more years. Bile duct cancer may occur with OC use. OCs are contraindicated in case of past or present, benign or malignant liver tumors developing during use of estrogenic products. **5.** *Use in or immediately preceding pregnancy, birth defects, malignancy in offspring:* Estrogens or progestogens during early pregnancy may seriously damage offspring. Females exposed in utero to DES and other nonsteroidal estrogens may have increased risk of vaginal or cervical cancer. Though OCs may not enhance this risk, monitor such patients carefully. From 30-90% of DES-exposed women develop benign vaginal or cervical adenosis, which could be premalignant. DES-exposed daughters have more unfavorable pregnancy outcomes. Males so exposed may develop urogenital and sperm defects. Other estrogens may mimic DES. Reports relate fetal exposure to female sex hormones and congenital anomalies, eg, VACTERL for vertebral, anal, cardiac, tracheoesophageal, renal, and limb defects. There appears preferential expression by males. There was a 4.7-fold increased risk of limb-reduction defects in infants exposed in utero to sex hormones (OCs, hormonal withdrawal pregnancy tests, or treatment for threatened abortion). Some exposures were very short, being only a few days. Cardiovascular defects in children exposed to female hormones, including OCs, during early pregnancy occurred in 18.2/1,000 births, compared to 7.8 for those unexposed ($P<.05$). More twinning was reported in conceptions shortly after OC discontinuance. Female sex hormones were used for threatened or habitual abortion, but there is considerable evidence estrogens are ineffective and no evidence progestogens are effective. Triploidy and possibly other polyploidy may be increased in abortuses from women becoming pregnant soon post-OC. These almost always abort spontaneously. It is unknown if spontaneous abortion is increased soon after stopping OCs. Increased chromosome aberrations have been reported. Safety of OCs in pregnancy has not been demonstrated. Rule out pregnancy in using OCs and always consider it if withdrawal bleeding does not occur. If 2 consecutive periods are missed rule out pregnancy before continuing. If user deviates from regimen, consider pregnancy at first missed period and withhold OCs. If pregnancy is confirmed, apprise patient of potential fetal risks and discuss continuation of pregnancy. Users discontinuing for pregnancy should use alternative contraception for 3 months before attempting to conceive, though this is not based on precise information. Do not use progestogen-only or progestogen-estrogen drugs as pregnancy tests. **6.** *Gallbladder disease* risk, surgically confirmed, appeared after 2 years' use and doubled after 4-5 years in 1 study; it appeared in 6-12 months' use in another. **7.** *Carbohydrate and lipid metabolism:* Decreased glucose tolerance occurs in a significant number of users; carefully observe diabetic and prediabetic patients. Triglycerides, total phospholipids, and lipoproteins may increase. **8.** *Elevated blood pressure* (BP) occurs in some users in a few months, and degree may relate to progestogen dose. Hypertension prevalence in users is not higher in the first year, but increases with longer exposure; in the 5th year it is 2½—3 times the first year. Age is strongly correlated with hypertension in users. Those with history of elevated BP (hypertension), preexisting renal disease, history of toxemia or elevated BP in pregnancy, familial tendency to hypertension or its consequences, or history of excessive weight gain or fluid retention during menstrual cycles may be more likely to develop elevated BP on OCs and should be monitored closely. Even though elevated BP may be in "normal" range, do not ignore implications. Follow closely, particularly those with other risk factors for cardiovascular disease or stroke. High BP may or may not persist after stopping OCs. **9.** *Headache:* Onset or exacerbation of migraine or development of headache of a new pattern that is recurrent, persistent, or severe requires stopping OCs and evaluating cause. **10.** *Bleeding irregularities:* Breakthrough bleeding (BTB), spotting, and amenorrhea are frequent reasons for discontinuing. In BTB, as in all cases of irregular bleeding, consider nonfunctional causes. In undiagnosed persistent or recurrent bleeding, rule out pregnancy or malignancy. If pathology is excluded, time or change to another product may suffice. Change to a higher-estrogen OC only when necessary as this may increase thromboembolic risk. Those with history of oligomenorrhea or secondary amenorrhea or without established regular cycles may be anovulatory or amenorrheic after discontinuing. Those with such problems should be so informed and other methods encouraged. Post-use anovulation, possibly prolonged, may occur in women without previous irregularities. Higher incidence of galactorrhea and of pituitary tumors has been associated with postpill amenorrhea. One study reported 16-fold increased prevalence of pituitary prolactin-secreting tumors in patients with postpill amenorrhea when galactorrhea was present. **11.** *Ectopics:* In failures with combination OCs, the ratio of ectopic to intrauterine pregnancies is no higher than in nonusers. There may be increased risk of ectopics after discontinuing. **12.** *Breast feeding:* OCs may decrease quantity and quality of milk. A small fraction of OC steroids appears in milk. Effects if any on child are unknown. If feasible defer OCs until after weaning. **13.** *Infertility* may occur after discontinuing OCs. While impairment diminishes with time, there is still an appreciable difference in nulliparas aged 25-29 after 30 months; difference is negligible after 48 months. In nullips aged 30-34 impairment persists to 72 months and is more severe for 2-year users. In paras aged 25-34, difference is negligible after 30 months. **Precautions:** Conduct complete history and physical prior to OC use and annually thereafter. Include breasts, abdomen, and pelvis, with BP, Pap, and lab tests. Preexisting uterine leiomyomata may enlarge. Mental depression may occur; with positive history, observe carefully and discontinue if serious recurrence. Fluid retention may occur; prescribe cautiously and monitor carefully in convulsive disorders, migraine, asthma, or cardiac, hepatic, or renal dysfunction. History of jaundice in pregnancy increases risk of recurrence on OCs; observe carefully and discontinue if it occurs. Cholestatic jaundice occurred after OC and troleandomycin use. OC/cyclosporine combination may be hepatotoxic. Steroids may be poorly metabolized in liver dysfunction and should be given cautiously. Tryptophan metabolism may be disturbed and result in pyridoxine deficiency; megaloblastic anemia has been reported. Serum folate may be depressed and may be exacerbated in post-OC pregnancy. Advise pathologist of OC use when submitting specimens. Endocrine and liver function tests may be altered; repeat abnormal tests after stopping for 2 months. These have been observed: increased BSP retention and other abnormalities in liver function tests; increased prothrombin and coagulation factors VII, VIII, IX, X; decreased antithrombin III, increased platelet aggregability; increased thyroid-binding globulin leading to increased circulating total thyroid hormone (PBI, T^4); decreased T^3 uptake, unaltered free T^4, decreased pregnanediol excretion; reduced metyrapone response; increased blood transcortin, corticosteroid, triglyceride, phospholipid, reduced serum folate; impaired glucose tolerance; altered plasma trace minerals. Influence of prolonged OC use on pituitary, ovarian, adrenal, hepatic, or uterine function, or on immune response not established. OCs may mask onset of climacteric. Cervical chlamydial prevalence is increased; do not assume OC protects against chlamydial PID. *Information for patients.* See patient labeling. *Drug interactions.* OC effectiveness may be decreased and more BTB occur with rifampin, isoniazid, ampicillin, neomycin, penicillin V, tetracycline, chloramphenicol, sulfonamides, nitrofurantoin, griseofulvin, barbiturates, phenytoin, carbamazepine, primidone, phenylbutazone, analgesics, tranquilizers, antimigraines. OCs may alter effectiveness of oral anticoagulants, anticonvulsants, tranquilizers, tricyclic antidepressants, antihypertensives, theophylline, caffeine, vitamins, hypoglycemics, clofibrate, glucocorticoids, acetaminophen. **Adverse reactions:** Increased risk of the following serious adverse reactions has been associated with OCs: thrombophlebitis and thrombosis; pulmonary embolism; arterial thromboembolism; Raynaud's disease, myocardial infarction; coronary thrombosis; cerebral thrombosis; cerebral hemorrhage; hypertension; gallbladder disease; Budd-Chiari syndrome; benign adenomas and other hepatic lesions, with or without intra-abdominal bleeding, liver cancer, congenital abnormalities. There is evidence of association between the following and OCs, though confirmatory studies have not been done: mesenteric thrombosis; neuro-ocular lesions, eg, retinal thrombosis and optic neuritis. The following are believed drug related: nausea, vomiting, gastrointestinal symptoms, BTB, spotting, change in menstrual flow, dysmenorrhea, amenorrhea during and after use, infertility post-OC, edema, chloasma or melasma which may persist post-OC, breast changes (tenderness, enlargement, secretion), weight changes, change in cervical erosion and secretion, endocervical hyperplasia, lactation decrease, cholestatic jaundice, migraine, enlarged uterine leiomyomata, allergic rash, mental depression, reduced carbohydrate tolerance, vaginal candidiasis, change in corneal curvature (steepening), intolerance to contact lenses. Association not confirmed or refuted for: premenstrual-like syndrome, cataracts, libido changes, chorea, appetite changes, cystitis-like syndrome, headache, paresthesia, nervousness, dizziness, auditory disturbances, rhinitis, fatigue, backache, hirsutism, scalp hair loss, erythema multiforme or nodosum, hemorrhagic eruption, herpes gestationis, hemolytic uremia, malignant hypertension, itching, vaginitis, porphyria, impaired renal function, acute renal failure, sometimes irreversible, PVCs, abnormal EKG, pulmonary hypertension, TTP, anemia, pancreatitis, hepatitis, colitis, Crohn's disease, gingivitis, dry socket, lupus erythematosus, rheumatoid arthritis, pituitary tumors (eg, adenoma) with amenorrhea and/or galactorrhea after use, malignant melanoma, endometrial, cervical, breast, and bile duct carcinoma. **Acute overdosage:** Serious ill effects have not been reported after large acute doses of OCs in young children. Nausea and withdrawal bleeding might occur. **Important note: Complete prescribing information should be consulted prior to use and is available on request.**

11/16/87 • P87-S4730V

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Address medical inquiries to:
G.D. Searle & Co.
Medical & Scientific Information Department
4901 Searle Parkway
Skokie, IL 60077

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Winthrop Consumer Products Division of Sterling Drug Inc.

NOTICE

From time to time we make available Performance Allowances on specific product sizes. Additionally, Promotional/Advertising/Merchandising Allowances, based on substantiated purchases, are available for use during the course of the year. Such promotions are usable in a practical business sense by all retailers.

For details see your local supplier, Winthrop Consumer Products Representative or write directly to:

Winthrop Consumer Products
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New York, NY 10016
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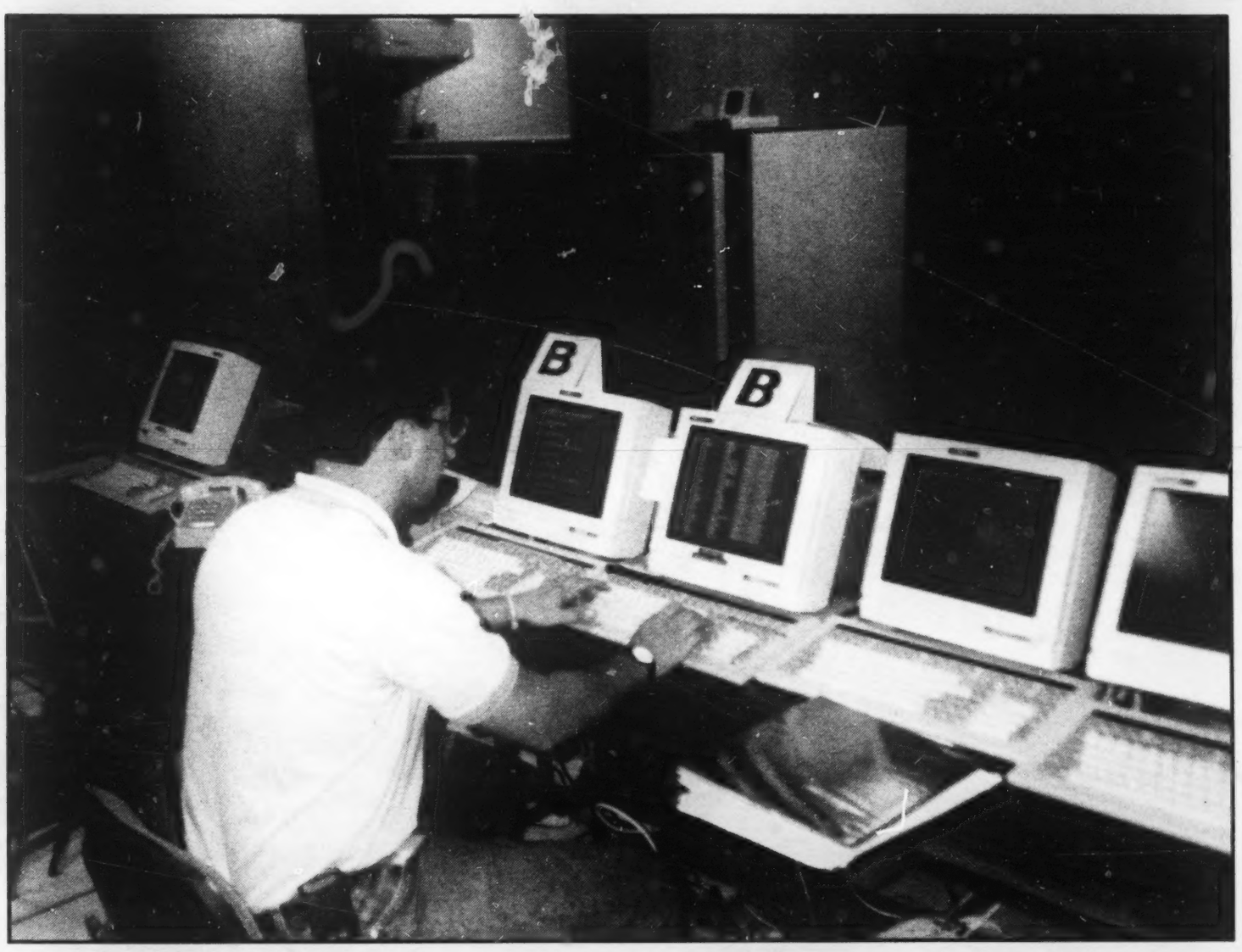
DRUG STORE NEWS®
INSIDE PHARMACY
PHARMACIST EDITION



Computers have made it possible for wholesalers to drop operating expenses to lowest point ever: 4.99 percent of sales in 1988, according to NWDA.

Profile: New era at Harris starts with Meyers at helm

SOLON, Ohio — This year Harris Wholesale Co. has a new president, Don Meyers, who has spent 12 years with Harris, most recently as executive vp and chief operations officer.

Seth Harris will still continue as a force at Harris, serving as ceo and vice chairman, but has the additional responsibility of trying to build a synergistic program for Harris and its sister divisions, especially General Medical Corp., the second largest distributor of medical-/surgical supplies in the nation.

Both companies, as well as a financing company and a private label manufacturer, are owned by New York-based RAB Holdings. Harris was acquired by RAB a little more than a year ago.

Meyers says Seth will be "getting out of the day-to-day operations at Harris to do more with RAB's other holdings. We want to be the premiere health organization in the country," he said, referring to RAB's opportunity to link together the health care companies it owns.

In the past year, Harris aggressively began laying the groundwork for future growth. It expanded its presence in Florida by opening a large, modern facility in Lakeland and closing a much smaller center in Miami.

Meyers said Florida is a "dynamic market" and that Harris has "big plans for expanding there."

Harris has a new facility for Cleveland on the drawing board. Referring to it as a "state of the art" facility, Meyers said the company hopes to occupy it in 1991.

In terms of technology, Harris is not experimenting with some of the costlier systems being used by bigger companies like Bergen and McKesson, but is adding stand-alone computers to all facilities, a program that should be completed by March. Once on line, all divisions will be able to talk to the mainframe in Cleveland as well as to all customers and suppliers electronically.

Harris is also beefing up value-added services for retailers and trying to grow hospital business by positioning itself as a one-source supplier. When Harris and General Medical team up, hospitals will be able to get almost all their supplies from one organization. Harris supplies the pharmaceuticals and General Medical supplies all the surgical/medical supplies.

This year, Harris started a circular advertising program for Health Plus voluntary members, and kicked off a new zone pricing program.

Drug wholesalers: product sales mix

(Percentage of net drug wholesaling sales)

Product Line	1979	1985	1986	1987	1988
Pharmaceutical	63.4%	75.8%	76.4%	77.8%	77.0%
Proprietary	17.5	12.5	12.5	12.2	11.3
Toiletry/H&BA	9.7	5.9	4.5	4.0	7.0
Sundry	8.3	3.8	4.3	3.1	2.6
DME and HHC**	—	0.5	1.1	1.1	1.0
Other	1.3	1.5	1.3	0.9	1.1

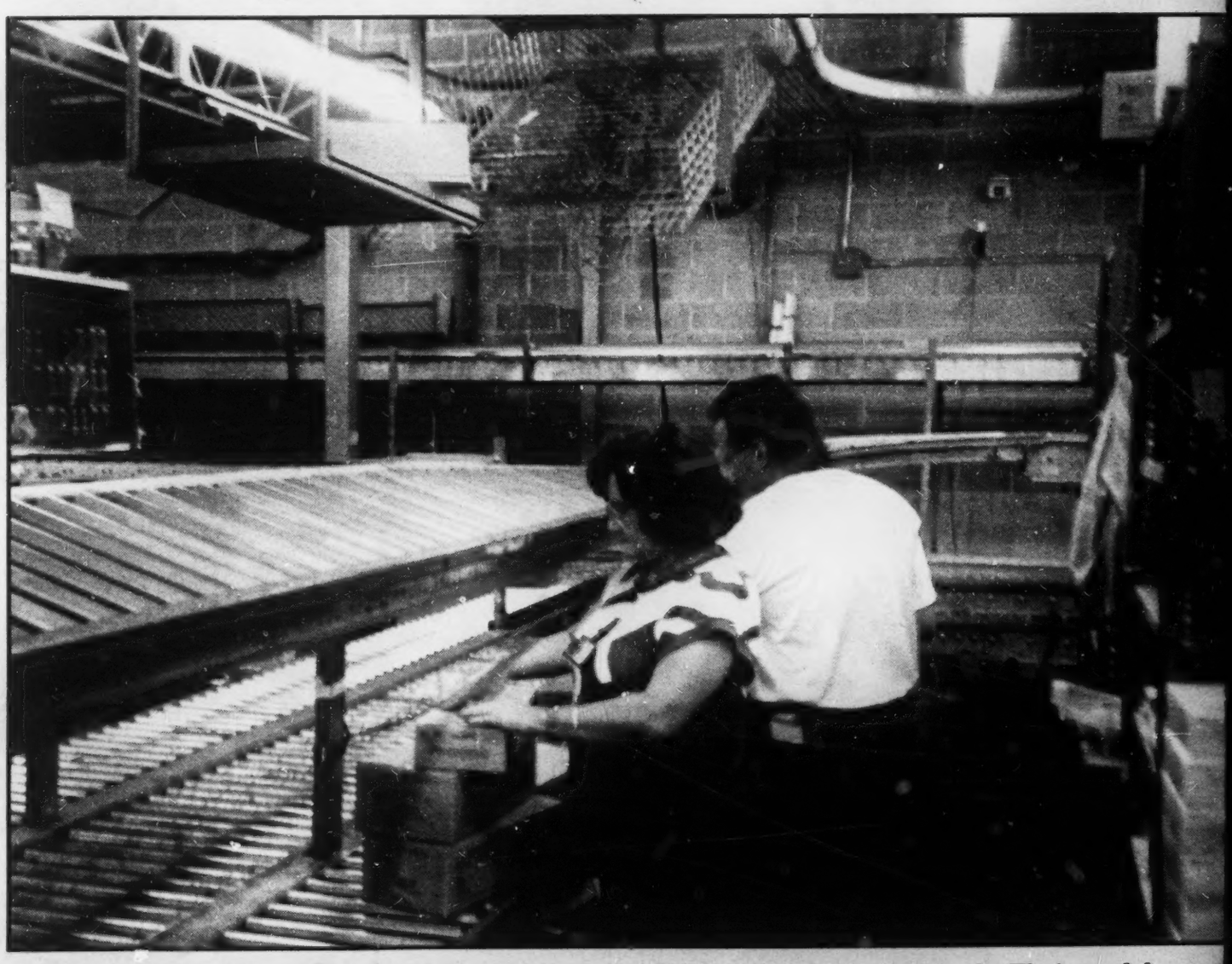
**Durable Medical Equipment and Home Health Care

Source: 1988 NWDA Operating Survey

Average sales per wholesaler distribution center

Company	Number of main distribution centers 1988	Number of main distribution centers 1989	Dollar sales per distribution center (millions)
Humiston-Keeling	1	1	$464
Moore Medical	1	1	232
Drug Guild	1	1	220
Walker Drug	1	1	180
Newman Wholesalers	1	1	178
Twin City	1	1	165
Fox Meyer	13	12	162
North Carolina	1	1	145
Harris	7	5	143
McKesson	48	47	120
Bergen	32	31	120
F. Dohmen Co.	1	1	119
J.E. Gould	1	1	119
Cardinal	6	6	117
Solomon Drug	1	1	110
Bindley Western	11	11	100
Remo Drug	1	1	100
James Brodnick	1	1	95
Durr Fillauer	5	5	77
Northwestern (Minn.)	1	1	72
Alco	31	26	66
Value Drug	1	1	65
Dr. T.C. Smith	2	2	60
Owens & Minor	4	4	58
Ketchum	4	4	58
Walsh-Lumpkin	1	1	53
Kendall	1	1	46
Dik Drug	2	2	45
South Bend	2	2	44
Prescription Supply	1	1	3
Amfac	31	32	31
Northern Drug	1	1	30
Chapman Drug	6	6	28
Miami-Luken	3	3	22
C. D. Smith	2	2	15

Source: *Drug Store News*/NWDA 1989 Wholesaler Survey



Wholesalers carry a broad assortment of front-end products today, including foods. Their goal: becom a full-line supplier for today's full-line retailers.

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INSIDE PHARMACY
PHARMACIST EDITION

CE LESSON

Continued from page IP37

assessment in the selection of a given drug based on the individuals' medical condition. Ethically, a pharmacist has a duty to assist a patient in the proper use of a prescribed medication. Legal requirements for this professional activity, however, are not commonplace at this time.

Misfillings or violations in professional practice standards *do* have legal and professional implications that will certainly lead to eventual periodic or regular increases in professional liability premiums.

Pharmacy practitioners need to act quickly and responsibly on behalf of themselves, employers and patients to keep ahead of the rising tide of litigation. Simple liability exposure management steps will help to minimize future litigation exposure due to misfillings, errors in judgement or violation of professional practice standards.

Professional liability and malpractice

The term risk management is derived from the financial or insurance use meaning a way to conduct business that avoids or minimizes the chance for a loss. For pharmacy and pharmacists, that would mean addressing legal liability exposures on professional as well as business levels.

Business risk management is not the subject of this lesson, however, it involves traditional business losses such as when someone slips or falls in your place of business. Professional liability risk management, on the other hand, has it roots in medical and hospital settings. In hospitals, there are full-time staff members who monitor the care provided to patients and identify potential risks for liability as a result of that care. The focus there is on the nursing, housekeeping and medical staff. The objective is to identify risks before they actually cause harm to a patient or visitor in the hospital. It may be as simple as cleaning up a spill on the floor or as complicated as more accurately diagnosing patients prior to a surgical procedure. In all cases, the risk being managed is the professional duty of care to a patient. The malpractice insurance crisis of the late 1970s and early 1980s subsided somewhat in the late 1980s. Unfortunately, it is difficult to accurately determine the reason for that relief.

Insurance premiums have a cyclical nature to them in most lines of insurance coverage. There are a variety of factors for this including: the amount of coverage required for average losses, the amount of retained income by the insurance firm, the number and dollar amount of claims paid, and the number of covered individuals and type(s) of exposure that may need insurance.

A typical malpractice insurance claim brought against a hospital or physician does not appear in the legal system for two to five years. An insurance claim may not be paid for three to 10 years after the incident. Therefore, malpractice claims have a long history in reaching closure of the case versus other lines of insurance, such as automobile accident coverage where a claim can be made and closed within 30 days.

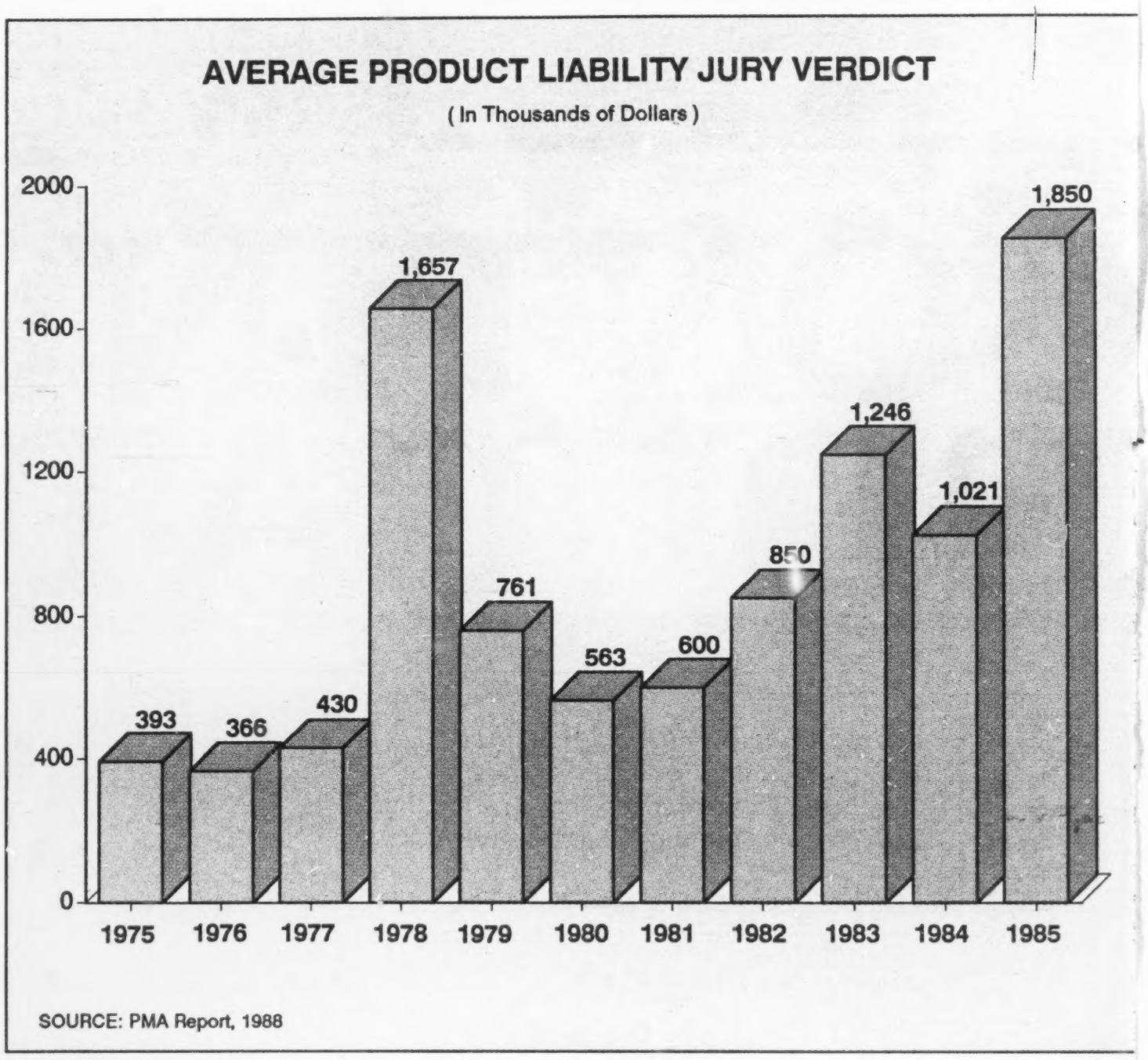
Lawyers have expanded their litigation targets beyond hospitals and physicians into other health professions during the past 10 years. Claims made against retail or hospital pharmacies and pharmacists were relatively uncommon in the 1970s. Today, professional malpractice exposure of the pharmacy profession is well documented in all practice settings.

As the role of pharmacists have changed and the utilization of pharmacists expertise has changed, so has the relative exposure to suit resulting from potential malpractice. What was considered an inconvenience to a customer in 1970 may now be considered grounds for a malpractice suit in the 1980s.

For example, a retail pharmacy dispensed the wrong drug in the right vial to a patient who subsequently discovered the error and brought suit against the pharmacist for negligence. In another case, a hospital pharmacy dispensed an incorrect intravenous order, did not properly document the order process and failed to notify the physician of the potential drug error. As a result, the hospital, hospital pharmacy, two pharmacists, a physician and two nurses were fined, and faced professional disciplinary hearings on that case in addition to the malpractice litigation. Pharmacist attorneys have published numerous other examples of cases where pharmacy has been exposed to more litigation due to increased consumer awareness of the pharmacy profession and greater expectations from the pharmacist in the delivery of health care services.

Malpractice coverage

By now you may or may not be convinced of a need for some malpractice insurance coverage as a pharmacist practitioner. Even though you may be employed and covered under your employers umbrella liability policy, as a professional there may be personal liability exposures that will not be covered under that umbrella. For example, such coverage may be limited to actions "within the scope" of your employment. That may mean you are not covered for any activity outside your job description or not performed according to your employer's policies.



SOURCE: PMA Report, 1988

Another pitfall of relying on your employer's coverage is that conflicts of interest may surface during litigation between you and your employer. Although rarely done, your employer's insurance company has reserved its rights which allow the company to recover from you what it spends on your behalf. This is called *subrogation rights*.

The mainstay against purchasing personal malpractice liability insurance has been the deep pockets theory. Pharmacists feel that no one would sue them because they have few assets when compared to their employer. What you should know, however, is that a judgement can be refiled until the pharmacist owns something of enough value to satisfy the judgement and/or garner wages. In the case of a damage award, a pharmacist may have personal belongings attached as well as have a percent of wages garnered. Carrying your own professional liability insurance is as essential as carrying automobile insurance today.

What should you look for when selecting a policy? Here are some of the items to consider:

- *How is the cost of my premium determined?* Typically, pharmacy insurance policies are dictated by your practice location, number of hours worked and type of practice.
- *What is the amount of coverage/ limit of liability?* Coverage of $1 million to $3 million annually is a common coverage selection offered to pharmacists. This means that you are covered for up to $1 million per claim up to a total of $3 million per year.
- *Is the policy claims-made or an occurence policy?* Claims-made covers the pharmacist for any claims made while they are still insured by the same policy when the claim is made against him/her. Occurrence policy will cover the pharmacist for any incident that occurred while the pharmacist was insured by that policy.
- *How does the insurance company define its terms and what protection does the policy offer the pharmacist?* Terms and coverages can vary from company to company so it is best to obtain and read the policy in advance of signing the contract.
- *How can I know exactly which of my actions are covered and which are not?* The exclusion section will tell you which actions are not covered. It may be more difficult to determine all the actions which may be covered, particularly since the practice of pharmacy has changed tremendously over the past 10 years while insurance policy language has not kept pace.
- *Who pays attorney or court fees and how do I notify the company when a problem arises?* Find out what is covered and under what conditions in your policy. You may have to provide legal counsel on your own then be reimbursed or the insurance company may provide their own legal counsel directly to you. In some cases, if you refuse to settle a case, the company may no longer defend you.

In summary, read the policy and understand what it says. If anything seems different or is not clear to you from what the company representatives says, question it and keep careful records of all correspondence. Be sure your name appears on the policy.

How to avoid litigation

In the 1988 meeting of the American Pharmaceutical Association in Atlanta, malpractice experts discussed how pharmacists could avoid litigation. The concepts of law that are of primary concern to the courts and pharmacy relate directly to medical malpractice. The panelists identified several major areas.

1. ***Negligence*** refers to in competence as measure against the standards of th profession. It can also includ any harm that has come to th patient and a breach of lega duty to counsel or review a pa tients profile.
2. ***Strict liability*** encom passes the sale or dispensatio of a product which may caus harm.
3. ***Causation*** deals with th question of whether or not th error actually caused harr and was the error foreseeabl (proximate cause).
4. ***Nonfeasance*** is based o acts of omission such as nc counseling at all.
5. ***Misfeasance,*** according t the panel, is the most easil proven in that it involves er rors in dispensing, labelin and packaging.

Pharmacists traditionall were sued on the basis of ma feasance (e.g. wrong medica tions, wrong strengths, incor rect labels, a failure to us child resistant containers According to the panelists the most volatile area of ma practice today centers aroun the pharmacists failure t counsel. These cases are ex amined on an individua unique basis and are decide on whether or not a pharma cist has a duty to warn an when. The reason given fc the change is that as pharmac continues to evolve from a dis pensing function to a counse ing, consumer-oriented ser vice, the courts are somewha behind in setting legal prece dents.

In a recent article by pha macist-attorney Frederic Fern, there are four element in which a plaintiff must prov in order to win a lawsuit. The include:

A) an owed duty to care by th pharmacist to the plaintiff,
B) a breach of that duty by th pharmacists action being be low the standard of care,

Continued on page IP3

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FINANCIAL

Vons' integration of So. Calif. Safeways is 'well under way'

LOS ANGELES — Just over one year since acquiring Safeway's Southern California stores, Vons Cos. is now nearing total integration of the two grocery chains.

Combination of the two retailers "was, and is, an ambitious undertaking. . . and for Vons it was an important step in our strategic plan," Roger Stangeland, chairman and ceo, told analysts in Los Angeles recently.

Stangeland, noting the conversion of the 162 former Safeways is well under way, outlined steps Vons is taking to integrate the two operations.

- Total remerchandising. This process, which required resetting almost all of the shelves at the former Safeway stores, has been completed at all locations.
- Computer conversions. All Safeway store data processing and management systems have now been switched over to the Vons format.
- Store upgrading. The chain has made minor remodeling improvements this year in both acquired stores and existing units. Currently, 53 store upgrades have been completed and another 44 are in progress.
- Major remodels. Presently, the chain has completed or has underway the remodeling of some 20 former Safeway stores and nearly another 20 Vons stores.
- Manufacturing. Vons has already merged bakery operations of the two chains, and will concentrate on consolidating dairy and ice cream operations.
- Distribution. All warehouses have been reconfigured, with Vons looking to consolidate where it makes sense.

Consolidation efficiencies should bring considerable cost savings, Stangeland said. Sales are also expected to rise substantially, since they'll take on the aggressive, promotion-oriented flair of Vons.

Vons' financial status has already started to improve since the acquisition. Although still in the red, with a net loss of $8.8 million in the second quarter ended June 18, the company did see an improvement over the first quarter's $13.4 million loss, and last year's final quarter loss of $16.2 million.

Beyond consolidation, Stangeland said Vons continues to build its business strategy "around the operation of multiple store formats." Through varied store prototypes, store-specific merchandising and focused advertising, the chain is able to carefully target the region's diverse demographics, he said.

Currently, Vons is operating 234 Vons supermarkets, 70 Vons food and drug stores, 13 Pavilions, 11 Pavilions Place and seven Tianguis locations. The retailer looks to include pharmacies in all its remodeling and new store plans, according to Stangeland, who said: "The most potent format is the [combo] food and drug stores."

Strikes, reorganization crimp Fred Meyer's net

PORTLAND, Ore. — Protracted labor disputes and reorganization-associated costs caused Fred Meyer's net income to plunge 21.5 percent in '89's second quarter ended July 31, according to Frederick M. Stevens, chairman and ceo.

Net income reported was $7.4 million for the period, compared with last year's $10.6 million; income from operations fell from last year's $19.0 million to $14.9 million. Net sales were essentially flat: a 3.2-percent increase to $487.7 million was reported, with comparable-store sales up 1.2 percent.

Nine of the company's stores were affected by a recently-concluded 82-day strike against Seattle-area supermarkets. A second strike hurt central office, warehousing and transportation activity at the chain's headquarters here.

Wal-Mart's net, sales both up in 2nd qtr.

BENTONVILLE, Ark. — Results for Wal-Mart's second quarter ended July 31 showed sales increasing 25 percent to $6.046 billion and net income up 22 percent to $219.0 million. David Glass, president and ceo, cited service and high inventory levels as spurring performance.

Glass also announced that A. L. Johnson, who had retired earlier this year, has returned as vice chairman "to work with our Sam's Wholesale Club division."

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Vol. 11, No. 20 Oct. 23, 1989

MARKET DIARY:

Largest Dollar Gainer	Warner-Lambert	$	9.00
Largest Dollar Loser	Bolar Pharm., Scherer RP	$	– 2.00
Largest Percentage Gainer	Mylan Labs		36.13%
Largest Percentage Loser	Zenith Labs		– 68.18%

Advances	39
Declines	14
Unchanged	5
New highs	20
New lows	4

	Close 9/26/89	Close 10/10/89	Net Change	Percent Change
Drug Store News Index	2886.55	3015.03	128.48	4.45
Dow Jones Industrial Average	2663.94	2785.33	121.39	4.56
Standard & Poor's 500-Stock Index	344.33	359.13	14.80	4.30
N.Y.S.E. Composite	191.47	199.00	7.53	3.93
Value Line Index	274.86	278.24	3.38	1.23

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 9/26/89	Closing Price 10/10/89	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	21.75	21.75	0.00	0.00	23	0.16	0.74	24.75	8.00
OTC	Big B	BIGB	14.63	14.38	– 0.25	– 1.71	16	0.16	1.11	15.25	10.63
OTC	Drug Emporium	DEMP	13.00	12.63	– 0.38	– 2.88	18	0.05	0.40	16.25	6.38
NYS	Fay's Inc.	FAY	13.38	12.88	– 0.50	– 3.74	17	0.20	1.55	15.00	8.63
ASE	Genovese Drug	GDX.A	11.13	11.25	0.13	1.12	16	0.24	2.13	12.88	8.75
OTC	Leroy Pharmacies (H)	LERYW	4.63	4.63	0.00	0.00	—	0.00	0.00	5.50	4.38
NYS	Longs Drug Stores (H)	LDG	43.00	44.75	1.75	4.07	16	0.96	2.15	46.00	33.63
OTC	Medicine Shoppe (H)	MSII	29.88	32.25	2.38	7.95	25	0.10	0.31	32.25	20.25
NYS	Perry Drug	PDS	9.88	9.88	0.00	0.00	247	0.00	0.00	13.50	5.25
NYS	Rite Aid Corp. (H)	RAD	39.13	40.88	1.75	4.47	18	0.82	2.01	41.13	29.13
NYS	Walgreen Co.	WAG	44.00	48.25	4.25	9.66	19	0.68	1.41	50.25	29.63
Wholesaler's transactions											
OTC	Alco Health Services	AAHS	23.25	22.75	– 0.50	– 2.15	16	0.00	0.00	30.38	19.50
ASE	Bergen Brunswig (H)	BBC	26.13	26.88	0.75	2.87	15	0.32	1.19	27.25	15.70
OTC	Bindley Western Ind. (H)	BIND	9.75	10.38	0.63	6.41	20	0.00	0.00	10.63	6.63
OTC	Cardinal Distribution (s)	CDIC	20.25	22.50	2.25	11.11	18	0.08	0.36	22.50	12.75
OTC	Durr-Fillauer	DUFM	21.38	22.25	0.88	4.09	22	0.24	1.08	23.25	15.38
ASE	Ketchum (L)	KCH	4.63	4.63	0.00	0.00	d	0.00	0.00	7.63	4.38
NYS	McKesson Corp.	MCK	37.13	37.38	0.25	0.67	16	1.44	3.85	39.75	29.63
ASE	Moore Medical	MMD	13.75	12.63	– 1.13	– 8.18	d	0.00	0.00	15.63	9.00
NYS	Owens & Minor	OMI	11.88	11.88	0.00	0.00	19	0.26	2.19	15.88	11.25
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	61.38	68.13	6.75	11.00	19	1.40	2.06	68.50	44.13
NYS	American Home Products (H)	AHP	99.00	106.63	7.63	7.70	16	3.90	3.66	107.25	76.38
NYS	Baxter International	BAX	22.38	23.38	1.00	4.47	17	0.56	2.40	24.38	16.25
ASE	Bolar Pharmaceutical	BLR	21.50	19.50	– 2.00	– 9.30	12	0.04	0:21	32.25	16.75
NYS	Bristol-Myers Squibb	BMY	50.13	54.50	4.38	8.73	18	2.00	3.67	54.50	41.38
NYS	Carter-Wallace (H)	CAR	54.50	56.63	2.13	3.90	18	0.82	1.45	56.63	38.13
ASE	Forest Labs (H)	FRX	37.13	40.00	2.88	7.74	33	0.00	0.00	40.38	21.63
ASE	Halsey Drug	HDG	6.06	6.13	0.06	1.03	20	0.00	0.00	7.38	2.38
NYS	ICN Pharmaceutical	ICN	5.75	6.00	0.25	4.35	67	0.00	0.00	7.25	5.63
ASE	Lee Pharmaceutical (L)	LPH	3.13	3.00	– 0.13	– 4.00	d	0.00	0.00	5.38	2.75
ASE	Leiner P. Nutrition	PLI	20.38	20.63	0.25	1.23	17	0.00	0.00	21.38	10.00
NYS	Lilly Eli Co. (H)	LLY	60.00	65.75	5.75	9.58	22	1.35	2.05	66.25	42.25
NYS	Marion Labs	MKC	34.38	34.63	0.25	0.73	24	0.36	1.04	36.50	16.75
NYS	Merck Co. (H)	MRK	71.13	77.75	6.63	9.31	23	1.80	2.32	78.00	53.50
NYS	Mylan Labs (H)	MYL	14.88	20.25	5.38	36.13	47	0.10	0.49	20.63	7.50
OTC	Newport Pharmaceutical	NWPH	4.38	4.44	0.06	1.43	d	0.00	0.00	6.63	1.75
NYS	Par Pharmaceutical	PRX	5.88	5.50	– 0.38	– 6.38	10	0.04	0.73	12.50	3.88
NYS	Pfizer Inc.	PFE	66.38	68.63	2.25	3.39	16	2.20	3.21	70.75	54.00
NYS	Robins, A.H. (H)	RAH	31.88	34.88	3.00	9.41	16	0.00	0.00	35.00	21.88
NYS	Rorer Group	ROR	43.63	44.50	0.88	2.01	22	0.80	1.80	48.25	36.13
OTC	Scherer RP Corp. (L)	SCHC	13.50	11.50	– 2.00	– 14.81	—	0.40	3.48	33.38	11.50
NYS	Schering Plough (H)	SGP	73.75	78.50	4.75	6.44	20	1.80	2.29	79.63	52.50
NYS	Syntex Corp.	SYN	45.25	47.25	2.00	4.42	18	1.50	3.17	54.50	36.50
NYS	Thiokol Inc.	TKC	14.50	15.25	0.75	5.17	17	0.30	1.97	125.00	12.38
NYS	Upjohn Co.	UPJ	37.38	39.38	2.00	5.35	20	1.00	2.54	42.00	27.00
NYS	Warner-Lambert (H)	WLA	106.50	115.50	9.00	8.45	21	2.56	2.22	116.00	70.75
NYS	Zenith Labs (L)	ZEN	1.38	0.44	– 0.94	– 68.18	d	0.00	0.00	2.75	0.38
Other retailer transactions											
NYS	Albertson's (H)	ABS	53.25	59.75	6.50	12.21	22	0.80	1.34	59.75	32.75
NYS	American Stores	ASC	62.25	64.63	2.38	3.82	28	1.00	1.55	72.50	51.50
NYS	Giant Food	GFS.A	31.50	30.88	– 0.63	– 1.98	18	0.50	1.62	36.25	21.00
NYS	K-Mart	KM	39.25	38.50	– 0.75	– 1.91	10	1.64	4.26	44.88	33.75
NYS	Kroger	KR	18.25	18.50	0.25	1.37	d	0.00	0.00	58.38	8.38
NYS	Melville Corp.	MES	48.63	52.00	3.38	6.94	16	1.30	2.50	53.63	34.38
OTC	Fred Meyer	MEYR	19.63	21.63	2.00	10.19	16	0.00	0.00	23.00	14.25
NYS	Penney, JC	JCP	68.13	68.00	– 0.13	– 0.18	11	2.24	3.29	68.75	50.38
NYS	Smith's Food & Drug (H)	SFD	24.75	24.63	– 0.13	– 0.51	23	0.20	0.81	25.00	20.50
NYS	Wal-Mart (H)	WMT	39.63	43.75	4.13	10.41	27	0.22	0.50	44.00	29.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Notes: Bristol Myers acquired Squibb and the merge results in a new company called Bristol-Meyers Squibb. Our Chart reflects this change accordingly. Also, Dart drug stores was delisted from NASDAQ and has been removed from our list. Cardinal distribution split 5-for-4.
Source: Nordby International, Inc., Boulder, Colorado